

ECONOMICS IN ACTION JAN. 1954

Your Congressman has some important bread-and-butter decisions ahead of him this session. One major problem will be how much money to spend and for what. While everybody would like to cut the \$8-\$9 billion deficit estimated for 1954-55, it won't be easy without hurting someone.

Defense cannot be cut much further without endangering national security. Estimates for the coming fiscal year are already \$2 billion below 1953-54, and there will be considerable Democratic pressure to restore this cut.

Farm policy will be a political hot potato with many farm groups clamoring for higher price supports. At present, this seems unlikely, but even if current support levels are maintained, Uncle Sam's farm investment is expected to zoom to \$6 billion next fall.

Labor is pressing for a hike in unemployment compensation rates to make up for increased living costs, and the Administration has indicated that it may go along.

Tax cuts are the main reason for the fiscal gloom. With personal income taxes down 10% and the excess profits tax off the statute books, Treasury officials will oppose reduction in corporation taxes slated for April 1. If Congress goes along, it will certainly substitute other forms of tax relief for business. How to balance the budget without new taxes, however, will remain the No. 1 Congressional headache.

Apart from appropriating funds to keep the Government going, Congress will also come to grips with important economic problems requiring investigation and legislation:

ECONOMICS IN ACTION

Taft-Hartley revisions designed to get the Federal Government out of collective bargaining will be urged by the Administration, but will be opposed by labor unions who want outright repeal. Repeal is not likely, however.

Raising the minimum wage from 75¢ an hour to the \$1.25 demanded by the C.I.O. will meet with considerable opposition from some business quarters. Most likely compromise: a \$1 minimum wage. The Administration, meanwhile, will seek to extend coverage under the law.

Broadening Social Security to include an additional 10 million people will be urged by the Administration, and Congress is likely to approve. Social Security tax rates went up from 1½% to 2% on January 1, largely offsetting the 10% income tax cuts for lower income groups. Administration officials would like to restore the old rate retroactively.

Public Power will become less public as Congress acts on plans to give private utilities a bigger role in hydroelectric projects while leaving irrigation and flood control in public hands.

Economics, it seems, is just about the most political issue there is.

With business leveling off, Congress will want to know just what the Administration is planning to do when and if a recession strikes. Dr. Arthur F. Burns, the President's chief economic advisor, reportedly has a detailed plan ready including these features:

Easier credit--either directly by lowering bank reserve requirements and rediscount rates or indi-

(Cont'd on page 63)

challenge

M A G A Z I N E

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Economics in Action

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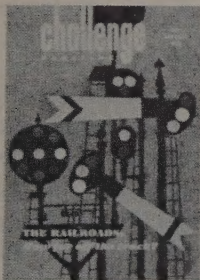
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a personal note

THE DAY of American economic aid to friends and allies abroad is fast coming to an end. This is not to say that American money will cease to pour overseas to those areas of the world where we should like to see friends and potential friends in good shape for come what may. The traveling dollars of the future, however, will be more particularly earmarked to hasten the military recovery of friendly nations. The period of stimulating their economic recovery is just about over.

Why this shift in the emphasis of aid should come at this time is a long and devious tale. From the point of view of total dollar outlay, the shift will make very little difference to us. We can explain the change, partly, by our own economic and political situation at home. But to make a long story short, we can say that everyone concerned is going to be happier about using American money to make guns rather than to take lessons from us on how to make butter. It is never a happy choice to have to pick guns over butter, but the state of the world is such today that it seems easier to let it go at that than to be too idealistic.

For most of our friends abroad the period of dire economic emergency is over. They understandably are anxious to proceed from now on in their own way. Since outside economic assistance implies the possibility of interference in domestic affairs, this is another reason why Americans have decided to pull out of such activities. Thus, our assistance program is boiling down to guns, tanks and planes. When the chips are down we hope these weapons will be on our side of the line. To contemplate that they might not be is to recognize the power of independence which our friends and allies can exercise.

WHETHER our policy of economic assistance was right or wrong, whether it was waste or profit, no man can truthfully gauge as yet. But one curious thought arises out of a review of the billions of dollars that have already been spent. What about the reverence for material things which Americans purportedly have — that reverence which is supposed to outweigh all other considerations in American life? I think it is as plain as the nose on Jimmy Durante's face that the economic assistance we offered abroad — which was accepted — was assistance in the very material things which have so often been decried. The mature, sophisticated Frenchman accepted them; the Italian with his mercurial love of beauty

accepted them; the philosophically meditative Indian accepted them; as did the classic-minded Greek and the Chinese with his well-ordered reverence for ancestors.

There is no place for bitterness here. Every people has a right to live by its own set of values. But curiously enough, it seems that people everywhere attach a greater value to material things than is generally admitted. All the peoples of the world want to eat more and live better. Everyone wants more houses, more clothing, more factories, hospitals and schools. These are the things the world is crying for, and they are about as material as you can get.

Americans cannot tell the world which values are the real values in life. It would be wrong for us to set up our own concepts of what is important as the last word. But if the material wealth which America creates and distributes to its people is considered a desirable thing by other peoples, and if they should ask us how this material wealth might be obtained, we can only tell them the ways in which we were able to produce it. It just so happens that among the many things we value in life, we value the material enough to work very hard at producing it. And the methods we employ are as much a part of our state of mind as they are a part of the state of our techniques.

TECHNIQUES can be exported and adopted. But states of mind strike at the root of the question of values. We can give away the plans, to the very last detail, of the automobile plants at Flint, Michigan. But how are we going to explain the social attitude which makes it right for an employee and a company president to drive to work, each in his own automobile? How are we going to explain the economic incentives and processes whereby the man who works for a living and the man who has inherited wealth both own stock in the same corporation? How are we going to explain that the heads of two industrial enterprises might play a friendly game of golf together, while all the time each one contemplates how to beat the other in the competitive game of business?

These are the attitudes and the states of mind which cannot be exported easily. If we attach a dollar bill to them, with the hope of explaining how that dollar might be most effectively spent, then it looks as though we might be meddling with the very essence of the system of values of other peoples. Thus it has come to guns instead of butter. For my own part, I look at this necessary development with a sense of regret and resignation.—HB

"Excess prophets" and inadequate statistics make it difficult to tell the modern businessman what to expect from the future

THE LONG AND THE SHORT OF BUSINESS PROSPECTS

by Don Colen

GONE WITH Babbitt and Technocracy is the businessman who flew by the seat of his pants into the wild blue yonder without so much as a Kiplinger to guide him. Today's management demands to know where it is, where it is going and what to expect around the business corner. For answers it turns to the business forecaster; but, unfortunately, crystal-gazers these days seem to have cataracts of the eye.

The record activity of the past few months has been a midsummer night's dream. Expecting a bust, business found a boom. While the stock market was incredulous, the figures weren't make-believe: production, wages, employment, profits are all heading off the top of the chart. Yet some economists are sticking to their guns. For them, the slump has simply been postponed. But over all, each successive warning of impending set-back seems inexplicably to adrenalize and pep up the economy.

For all of us who must protect ourselves in the economic clinches, this weird state of affairs raises some serious questions:

(1) Is this the millennium, or what?

Certainly holiness is far from triumphant in the world. And Irving Fisher's "permanently high plateau," (which he heralded one week before the 1929 stock market crash) is still far from a reality. In fact, history frowns on the high plateau, or any plateau for that matter.

Man has found few things "constant as the northern star." Almost 2,500 years ago, Heraclitus pointed out that there was no reality save the reality of change. "The sun is new every day," he said. As Heraclitus spoke for the ancients, Edmund Burke warned modern con-

Don Colen, an editor at the Research Institute of America, writes from considerable experience as an economist and specialist in news analysis.

servatives: "We must all obey the great law of change. It is the most powerful law of nature . . ." From this, Calvin Coolidge took the hint. "Business will be better or worse," he said. The evidence indicates that he knew what he was talking about.

BUSINESS seems to know only ups and downs, both for the economy as a whole, and for individual firms. The small businessman wears two hats: wearing one, he damns big business as an economic rapist, a despoiler of little business trying honestly, if amateurishly, to earn a virtuous dollar. Wearing the other, he sneaks a sidelong, envious glance at the larger firm's stability, and wishes his place in eternity were so ordered. But it is tough on top; mortality rates are fantastic.

Go back to 1909. It wasn't a bad year. The effects of the panic of 1907 had all but worn off; European storm clouds had yet to rendezvous. Admiral Peary; the French channel flier, Bleriot; Teddy Roosevelt headlined the news. Hupmobiles churned up the dust on Main Street, and *I Love My Wife, But Oh You Kid* blared from every Edison phonograph.

The companies on top thought they were doing fine. But of *the 100 top companies* of that era, only thirty-one were alive in 1948. During those forty years, 205 different companies at one time or another were at the very top of the heap.

And the little companies? Either they grew and prospered, or they swelled Dun and Brad's bankruptcy figures.

How did the economy make out in the same period? The record is equally changeable. It is hard to find a sign of a plateau — or a valley floor. Consider business's classic barometer, the stock market. Wall Streeters talk of "periods of consolidation," of "digesting gains," of "hesitation and uncertainty." But the market isn't uncertain for long; its sidewise periods are few. The "Eisenhower" market is a case in point.

SHORTLY after the political conventions in July of 1952 the market started drifting downward. Then came the deflation in Democratic votes and a Republican victory. By January of 1953, stock prices had shot up nearly twenty percent.

Then, in the first week in April, something happened. All the indicators showed business still riding high; the slump was very busy being postponed. Yet, the market started sliding and didn't pause until it had given back all of the Eisenhower gains. In June, July, and early August it tried a rally; then quickly surrendered. Where it is going, nobody knows. But it won't be inching sideways for long. It never has, in good or bad times.

Wholesale prices, production, all the other business indicators ex-

hibit the one characteristic: no plateaus. And the valleys? There is a doubt. Classical economists insist that prolonged periods of economic stagnation are impossible. All kinds of goods wear out and need to be replaced. When the point of replacement is reached, things pick up.

Keynes seemed to think otherwise. The economy could reach a point of dead center, far below full employment. He called it "equilibrium." Then there wouldn't be any movement one way or the other; the charts would show a valley floor. For Keynes, the only way out for the economy was government spending; this would take it off the hook. Throughout the Thirties, the world accepted Keynes' prescription. A generation later there is considerable doubt about the lasting effectiveness of pump-priming.

(2) Are Freud and economic facts compatible?

Here is an excerpt from a recent economic tip sheet: "Many businessmen — notably advertising executives — believe we're double talking ourselves into a recession. Some wags even call for a tax on "excess prophets!"

This is blatant nonsense. There are no psychosomatic depressions.

LONG BEFORE Freud, economists mused that the hunch might play a role in determining business con-

ditions. Early theorists, even Adam Smith, wondered whether the optimist and the pessimist could anticipate trends instead of waiting for them. In anticipation, mightn't they reverse the trend?

After Freud popularized psychoanalysis, a psychological explanation for everything became difficult to resist. Many economists now contend that there is an intimate connection between states of mind and states of business. The facts do not support this contention.

It is true that businessmen's attitudes act as an accelerator. Recoveries are quicker; slides are steeper. On the upside, inventories, for example, will be built up by bullish businessmen in anticipation of further price increases. Going down, the bear will hold off buying as prices slip, betting they will dip further. But these attitudes come into play *after* a trend has begun.

There are also numerous instances when the economy was dominated strongly by a particular "psychological feeling" — and the course of business went in exactly the opposite direction. A classic example is to be found in the late Twenties. Never did optimism have so strong a hold, and never till then did the business cycle ignore a mood so completely. The 1929 crash came anyway. A similar situation in reverse appeared immediately after World War II. Many a business forecasting service lost

sales on the record of its post-war forecast of doom. Unemployment estimates ranged from eight to fifteen million. Obviously, business wasn't listening; it went on a five-year record-breaking spree.

SO FAR, business has never talked itself into a depression, recession, or even a wee adjustment.

Ups and downs seem to be dictated by the same forces that have always ridden herd on the business cycle: taxation, outlay for plant and equipment, government spending, research and new discoveries, etc. And the consumer? He buys if he is making money and feels the need to buy. His own needs and desires are paramount.

His attitude toward housing is typical. Early in 1953, reports of "certain economic adjustment" were so loud that businessmen could hardly hear themselves count their record profits. Whatever the noise, it didn't seem to deter consumers one bit. A survey made in February revealed consumers expected to keep right on buying houses. They have pretty much stuck to their plans.

The businessman reacts similarly. He is concerned with the fortunes of his particular concern and industry; only then with the national economy. If *his* business is good, he'll sell his head off.

Fortune magazine put it this way: "The trouble is that business-

men, like politicians, are subject to conflicting pressures . . . if a company sees an opportunity to raise its profits or improve its competitive position materially by investing in plant or inventory in boom times, it is not likely to be deterred by the thought that the stability of the economy might be better served if the investment were postponed."

(3) *Do we have a mixed economy?*

Economists were so busy in 1933 trying to learn what had hit them, and why, that they failed to observe an important Centennial. Just 100 years before, John Wade had noted that "the commercial cycle is ordinarily completed in five or seven years." Since Wade, and particularly since '33, ideas about the duration of business fluctuations have changed completely. Today we are far more concerned with timing: when does one phase stop and another start? And just why is there a change? Specialists aren't even certain that there is a cycle. Maybe there are a lot of cycles, each imposed upon the other.

There are "cycles" of innovation, for example. An entirely new surge of national activity developed around the growth of the automobile industry. Then came aircraft; now chemicals and electronics. Atomic development, if we let ourselves enjoy its possibilities,

will undoubtedly be next. In each case, upswings have been more intense and downswings steeper because of a more complicated economy.

SOME industries take off on their own. They show a distinct cycle that has little relationship to the general business trend. The construction industry is the orthodox example. The boom of the Twenties was still young in 1924, but the bust had already come for building. The higher the business thermometer went, the worse building felt. Then in '37 and '38 they switched places: business had its sinking spell; building its spree. And these individual industrial cycles, like autos or planes, may reinforce or retard general economic trends. Today's unpredictable state of business affairs may very well be due to the appearance of an even more mixed economy — with many cycles at various stages of ups and downs.

The "why" of the business cycle is usually explained in terms of investment. As business puts more money into new plant and equipment, employment is increased, and consumers have more dollars to spend. But recently, while business investment has been leveling off, if not flirting with the precipice, the economy has been making giant strides forward. The explanation may well be that ours is not an

investment economy, but a consumption economy.

THE GROSS national product divides roughly into 226 billion dollars for consumer expenditures, 54 billion dollars for investment (includes business and construction) and 57 billion dollars for government. The consumer quadruples the businessman's investment and shells out more than twice as much as Uncle Sam and business put together. What these figures mean is this: A business cut in investment of say five billion dollars, or 10 percent, amounts to only a 2.5 percent cut in consumer expenditures. Clearly the consumer is now the economic kingpin, and the evidence seems to point to his awareness of the fact. Today, for example, it is supposed to be an uneconomic time to buy durable goods. Yet the consumer is continuing to buy. For fewer washing machines and refrigerators, he takes more deep freezers and air conditioners. Not only that, he is devoting larger shares of his income to these more expensive items. Consumer purchasing may very well be filling the gap created by a decline in business investment and economies in government spending.

(4) Is a forecaster a seer or a specialist?

The picture of profitable times to come in five or ten years is certainly soothing, but the business-

man prefers to learn what is coming up tomorrow, next week and next month. Unfortunately, he cannot always have what he wants from the business forecaster.

Reality, say the physicists, is composed of neat "bundles of probability." The business forecaster wishes he had a better grasp of those "bundles." For increasingly, he simply doesn't have the figures he needs, even with the science of probability to help him.

Look at the economy's most important sphere, consumer spending. To keep tabs on the running results, the forecaster has the Federal Reserve's Survey of Consumer Finances. This annual check-up has produced top-notch results. Yet its findings are always about six months late. And to the businessman, who fears being caught with his inventories down or his costs up, six months is the "long run." Sadly, the story is the same for all statistics that the economist uses.

As a result, the forecaster has had to push his luck. To get the immediate picture, he extrapolates the figures which are already history. And in the stretching, often what seems like a mountain turns out to be hardly a molehill.

WASHINGTON, too, faces the same problem. Only recently, the Administration appointed a series of "spotters" throughout the country.

Their job is to feel out the economy, to probe for the trends. It is hoped, thereby, to get a more telegraphic report of changing business conditions.

What's needed is more, not less, funds for economic reporting. The Federal Reserve has been perfecting its sampling technique. It should be allowed to report half-a-dozen times a year, not just once. Also, Defense Deputy Kyes might reconsider restoring, then broadening the Department of Labor's work in input-output analysis. And the Census Bureau also needs additional funds for its business and agricultural reporting, despite the sentiments of Congressional economizers.

But forecasters cannot afford to wait. Nor can they rely on business firms to reveal the figures in their own good time. The facts about Sears Roebuck's sales, for example, for the twenty-four weeks ending July 16 weren't released until September 2, almost two months later.

(5) What now?

Like it or not, for the businessman there is homework to do. If he still wants a synopsis of the play, and there is every indication that he doesn't intend to angle the economy on a hunch, he has to face these facts:

Firstly, the anatomy of the economy, even the network of its blood cells and the position of nerve ganglia have undergone profound

changes. The customer is boss. He can outspend the businessman or Uncle Sam by better than four to one. What's more, he can outsave the businessman. Personal savings are three times the investment in plant and equipment. Here is the economy's fountain of youth.

Secondly, he has some letters to write to his Congressman. The short-run forecast, say from six to eighteen months, is impossible without the facts. If there are any economies in government to be made, the last place to make them should be in the statistical services for its own and the country's good. Actually, a number of reports need to be issued more frequently; some can't be made often enough. And along the same lines, the businessman has got to take the "top

secret" stamp off his own figures. The least the businessman can do is to trust Uncle Sam with the facts, especially since this is the Administration that is going out of its way to insure a hands-off economic climate.

FINALLY, businessmen increasingly are having to make their plans on the long-run basis. Technological change makes it so. Construction of the automatic factory, for one, is little affected by short-run fluctuation. Research, for another, opens up countless opportunities for investment "in the long run." And altogether, while the microscope is essential to the every day functioning of the economy, a telescope is a handy gadget to have around. ■



Seed of Ambition

In an endeavor to do something for the town's chronic down-and-outer, the Council decided to give him ten dollars a week for polishing the cannon that stood in the town square. This went on for quite a few months, with the old-timer keeping the cannon nice and shiny and collecting his ten dollars every week. One day, though, he went before the Council and told them he was quitting.

"Anything wrong?" asked the somewhat surprised Council.

"Oh, no, I wouldn't say that," was the reply.

"Do you feel you haven't been getting enough money?"

"No, you people have been fair enough."

"Then, for the love of Mike, why are you quitting?" asked a Councilman.

"Well, I'll tell you," said the old-timer. "I've saved up quite a bit of money and now I'm going to buy my own cannon and go in business for myself."

The American penchant for "cooking-up" new gadgets is as evident in a housewife's kitchen as in a scientist's laboratory

Ever the Gadgeteer

by Robert M. Hyatt



IF YOU THINK the door to opportunity is closed to you, that financial security is a pipe dream — hop on the gadget gravy train. Here's how: Take equal portions of curiosity, ingenuity and self-confidence, and whip up a gadget idea. While the mixture is still bubbling, drop it in the mail — and wait for the royalties that just might pop in.

If you're uncertain about the term "gadget," think of it as any gimmick that makes life easier, safer, less expensive or more enjoyable around the home, the car, the office or factory. The auto, the

safety pin, the cash register and the cotton gin were initially gadgets.

Undoubtedly, Americans introduce more gadgets every year than the people of any other nation. "How to" is an expression that continually gains more importance in daily living.

If you're a tinker, you've noticed that home workshop equipment is enjoying a steadily rising volume of sales. Modern home builders, recognizing the universal urge to putter and build things, are including neat little workshops in their garage and basement blueprints. Men in all walks of life are dyed-in-the-wool gadgeteers.

Inventing knows no age or sex. Some astonishing items have been

Robert M. Hyatt specializes in searching out the unusual in the amusement and consumer-industry fields.

turned out by youngsters — “crazy things” that proved to be valuable improvements. Model plane fanciers have given the aircraft industry many new devices, or helped to revive interest in old devices which had fallen into disuse: the slant-back wing which gives planes quicker lift; the oversized stabilizer which makes them more maneuverable; the “pusher” propeller which increases power with no increase in “horses.”

HOT-RODDERS have given the automobile people many ingenious additions to the speed, safety and economy of internal combustion engines. These brash kids came up with the high-lift camshaft for increased gasoline intake; multiple carburetors for quicker getaway; large exhaust ports to raise power output by decreasing back-pressure; gasoline injection systems that curbed gas-hungry carburetors.

If you like to tinker, your ideas are wanted. You don't have to invent something new. Look around you. Almost every mechanical device in your home or garage can stand improvement. If you've hit upon something, but have been holding off because you think it's too simple — don't! There are many case histories of gadgeteers who hit the jackpot with salable ideas. But you want to know how *you* can cash in.

There are several organizations devoted to the examination, development and patenting of gadget ideas. Tops in the field, perhaps, is the Gadget-of-the-Month Club in Hollywood, California. It's the inventor's answer to the problem of what to do with novel notions. If a panel of experts decides an idea has merit, then the gadget is developed, tested, patented and put on the market — all at the Club's expense. The inventor is given a nice royalty contract — anywhere from one-half of one percent to ten percent of future sales.

THAT'S JUST one function of the Gadget Club. It is also a vast sampling organization. The Club tests new gadgets on its thousands of members, and estimates sales potential before the item is mass produced.

Long ago, the Club proved that by getting a new gadget into the hands of enough people, widespread word-of-mouth advertising clinched its future, provided a majority of the consumer-members approved it. Officials of the Club found that recipients showed each new gadget to an average of ten friends, thus broadening the advertising scope.

With this nationwide proving ground ready-made, the Consumers' Testing League was a natural outgrowth. Today, the CTL (a Gadget Club affiliate), with 120,000

consumer-members throughout the country, is the most unusual and far-reaching testing laboratory around. Membership is broken down into six sectors of 20,000 persons each. When 90 percent of any sector approves a gadget, it is considered a consumer item.

MEMBERS of the Gadget Club submit a fair percentage of the 40,000 gadget ideas the Club receives each year. Don Davis, public relations head of the Club, states: "We make a couple of inventors happy each week."

Gadgeteers and inventors (they don't have to be members) receive a welcome at the Gadget Club that is seldom accorded them elsewhere. Every inducement is held out to the man or woman with an idea. If it has even a remote chance of becoming a salable gadget, it receives every consideration.

Keeping the inventor, manufacturer and distributor happy — and the public buying — is an unending battle that demands skill and know-how. The newest merchandising stunt is the Gadget Preview Party. It begins with a phone call from a Club representative: "Mrs. Jones, how would you like to throw a gadget party for a few friends?"

At the party, a few of the spanking new gadgets are bound to appeal to some of the guests. Orders are jotted down; for every sale, Mrs. Jones receives 15 percent of

the retail price. She may easily rake in as much as a hundred dollars in an evening. She'd like to throw a gadget party every night! So would each one of her guests. A score of future parties are lined up; to each at least ten people will be invited.

As Davis explains it: "Here's where the gadget party is important. A publisher with a circulation of a million can't guarantee that a million people will read your ad in his magazine. When we reach our goal, we can absolutely guarantee that 10,000 people a day will see a gadget — maybe yours — discuss it, show it to their friends and probably buy it."

GADGET CLUB oracles see some daring developments in the future. One of them is a proposal for fast mobilization of all inventive genius should a national emergency arise. It was suggested not long ago to the Office of Defense Mobilization that it tabulate every inventor in the country, grouping each in his special field. Thus, a call across the nation could bring together a concentration of specialists never before seen.

A gadget invented by a Florida serviceman was largely responsible for halting Rommel's drive in Africa, and for saving the lives of thousands of soldiers in many areas. That gadget was a mine detector. ■

WHAT'S WRONG WITH THE RAILROADS?



by Morrison Colladay

Once the kingpin of American transportation, today's railroads face a fight for survival against the highway and the truck

"CONGRESS was warned yesterday," ran a recent news dispatch from Washington, "that the government may have to take over the nation's railroads to keep them from going out of business."

Especially ominous about this warning is the fact that it was made by a group of railroad executives. They were in Washington to testify before the House Ways and Means Committee in support of a proposal to limit imports of residual fuel oil. A vice-president of the Pennsylvania Railroad observed that fuel oil from abroad is cutting into the demand for domestic coal and depriving the railroads of sorely needed revenue from coal traffic.

The warning may be extreme — or only premature. But there can be no doubt that our railroads have serious financial problems. It is a measure of their troubles that they at times try to meet them by urging such restrictive and artificial economic devices as the limiting of oil imports; and by opposing fiercely, as a special interest group, such developments as the St. Lawrence Seaway.

THERE ARE two chief reasons for the difficulties of the railroads. One

Morrison Colladay, who discussed the future of our cities in the October issue of CHALLENGE MAGAZINE, here considers a related problem — the status and future of transportation.

is the great increase in operating costs, including wages and materials, that has made necessary twelve rises in freight rates since 1939. As a consequence, railroad freight rates are ceasing to be competitive — even though increases in costs have been general throughout the national economy.

The second reason is the sweeping change in our living conditions since the days when railroads were the sole means of freight and passenger transportation.

More than forty thousand communities depend entirely for transportation upon cars, trucks and buses. Three fourths of all passenger travel between cities, towns and farms is by bus and car. Two-thirds of all freight is shipped by truck during some part of its journey.

According to a report of the Interstate Commerce Commission, railroad passenger service has declined by more than 60 percent since the end of World War II. Last year the railroads lost \$681,311,000 on passenger service. Despite our growing population and the greater amount of travel, revenue passenger miles on the railroads have dropped from 91.7 billion in 1945 to 31.8 billion in 1950.

But the railroads expect to sustain some loss on passenger service, which is not even the frosting on the cake for them. One railroader even proposed, not so many

years ago, that the industry confine operations to freight service.

IT IS THE freight losses that are disturbing. High rates are diverting coal traffic to barges, and even to trucks, and have been a factor in making fuel oil and gas competitive with coal in nearly every section of the country. Coal shipments by rail are down 20 to 25 percent from those of last year. On top of this, a "coal pipeline" recently underwent successful tests. Crushed coal was mixed with water and pumped through the line. Such a pipeline could deliver coal from Lake Erie to Cadiz, Ohio, a distance of over 100 miles, for an estimated dollar less per ton than the present rate of \$2.75 by rail.

With a 71 percent increase of rates for grain since 1946, shipments are rapidly being diverted to other kinds of transport. It now costs only one quarter to one half as much to move grain by barges throughout the Ohio, Missouri, Tennessee and Mississippi River regions as by rail.

Oil that once was moved exclusively by rail is now transported almost entirely by pipe line — over a nationwide network of 173,000 miles. Milk trains have practically disappeared. Movement of new automobiles by train has for all practical purposes stopped. Citrus fruits and vegetables from Florida and the Southwest are now trans-

ported to the North almost entirely by truck.

AN INSTANCE of the problem railroads face can be seen at the Hoboken Terminal of the Holland America Steamship Line, where in the last two years railroads have lost half their business while trucks have increased theirs. "The success of trucking," according to the superintendent of the Terminal, "has been due to the fact that it allows door-to-door delivery. A consignment of Dutch beer is hoisted out of a hold, run across the pier to a truck and brought to Chicago in only eighteen hours."

In the face of a demand by the railroads for a 47 percent increase in the rate for carriage of mail, the Post Office Department has arranged to experiment with sending all first class mail between larger cities by air. The Department for some time has been using trucks instead of railroad mail cars between smaller cities in many parts of the country.

Menaced by the trucking industry, by barges and by airlines — which have encroached on passenger and specialty-freight traffic — the railroads have been fighting back, and have attempted to bring their case before the public. Competition in the transportation field has largely boiled up into an uncompromising fight between the railroads and the trucking indus-

try. In this battle, which is being fought in the courts, in the cloakrooms of Congress and state legislatures, in newspapers and magazines by conflicting propaganda and advertisement, the national interest is too often ignored by both sides.

The railroads argue that the federal government and the states have systematically subsidized a competing form of transportation by building and maintaining our vast highway network. They hope to be heard sympathetically by a nation of automobile owners, who are told that trucks are destroying our highways and not paying their fair share of road-upkeep.

IT IS claimed that the motorist pays three times more for using the highways than the owners of the heaviest trucks, according to the relative weights of cars and trucks. It is said that state gasoline taxes, which are usually tagged for road maintenance, are not distributed equally between motorists and truckers. A trailer-truck weighing sixty thousand pounds when loaded burns less gas, and therefore pays less in taxes, than two trucks of thirty thousand pounds, although it is more likely to crack concrete and weaken bridges. Furthermore, thousands of diesel trucks have appeared on the highways; they are bigger and can carry more, but use less fuel.

These complaints are not, of course, made only by railroad interests, and there is some justice in them. Our roads have been allowed to deteriorate over the last twenty years. Trucks, millions of pleasure cars, the ravages of time and poor construction are responsible. Public indifference must also be blamed for the continued sorry state of our roads.

AN INTERESTING development about which little has been heard is "Project Adequate Roads." The trucking industry has joined with manufacturers of automotive equipment and supplies to obtain expenditure over the next fifteen years of 105 billion dollars on highways. The proposal is violently attacked by the railroads on the grounds that it would use the taxpayers' money — seven billion dollars a year — to provide "main-line" facilities for the highway freighters.

Some states have levied "weight-distance" taxes on motor vehicles as a way of making truckers pay a larger share of highway building and maintenance costs. In Oregon, a six thousand pound pickup truck pays a tax of one-fourth of a cent a mile, while a 68,000 pound trailer-truck pays four cents or sixteen times as much. Trucks now number 18 percent of all vehicles on the roads and pay 32 percent of all user fees. If weight-distance

taxes were made general, trucks would contribute 40 to 45 percent; and critics have said the railroads would be the chief beneficiaries, with higher trucking rates putting many cargoes back on the iron roads.

THE American Trucking Association points out that trucks already pay 1.25 billion dollars a year in taxes, and that many individual trucks pay over three thousand dollars a year. The Association asserts that the flow of commerce over our public highways has been the greatest single factor in our economic progress during the last two decades.

The trucking industry also feels that it is not getting a square deal from the Interstate Commerce Commission, which has jurisdiction over it. Trucking associations have been joined by the Teamsters' Union in seeking Congressional legislation for the creation of a Federal Transport Agency to handle highway transport affairs. Dave Beck, head of the union, believes the I.C.C. is "railroad minded" and "has traditionally favored the railroads."

Battle lines between the truckers and the railroads have now been drawn. Truckers say that the Eastern Railroad Presidents' Conference set out in May, 1949, to drive them out of business with a campaign in Pennsylvania. That state's

45,000 pound gross-weight limit on trucks is one of the two lowest in the country. A "fair truck bill," promoted by the truckers, that authorized increased weight limits was passed by the Pennsylvania legislature, but vetoed by the Governor.

A YEAR AGO, largely as a consequence of this defeat, the Pennsylvania Motor Truck Association and thirty-seven trucking companies filed suit for 250 million dollars under the federal antitrust laws against the Eastern Railroad Presidents' Conference, thirty-one railroads, individual officers of the railroads, and Carl Byoir and Associates, a New York public relations firm. They charged that the railroads had undertaken "an illegal conspiracy to monopolize freight transportation and conduct a vicious, corrupt and fraudulent campaign against the trucking industry." They further accused the thirty-one railroads of trying to destroy "interstate competitive highway transportation through fomenting governmental restrictions and undermining public confidence in the trucking industry."

The railroads replied that they "are entitled to tell the truth even if the facts result in driving truckers off the highways."

In a separate answer, the Pennsylvania Railroad said that, as a

payer of substantial federal, state and local taxes, it suffers from the alleged failure of truckers "to pay their fair share of the cost of building and maintaining the public highways which they use in their private business."

Last July, Judge Thomas J. Clary refused to dismiss the suit, saying: "Certainly if the effect of the conspiracy is to increase the cost of operations of the truckers, thereby increasing consumer costs, an injury to the public is effected." If the suit comes to trial, it will not be before another eighteen months.

ONE constructive plan has been offered that would enable the railroads and truckers to join forces instead of fighting each other. This is the "piggy-back" scheme, by which truck-trailers, of a standard thirty-two foot length, are moved over long distances on railroad flat cars and then unloaded to continue their journeys behind truck cabs. Dr. Lewis K. Sillcox, Vice-chairman of the Board of the New York Airbrake Co., has predicted that if the practice were widely adopted, "not only would the railroads recover much traffic lost to highways, but that truck operators would reduce their operating costs."

The traffic that the railroads have lost so far is predominantly light in weight and high in value. They must recover some of this business to increase their freight

revenue, and they need a better way of handling loads smaller than carload lots.

Dr. Sillcox believes that by rational and complete co-ordination of rail and truck service, it should be possible to reduce railway freight rates to a level where they will be less than truckers' operating costs. With the "piggy-back" plan, the railroads might be able to recover 30 percent of their lost traffic, and add 1.5 billion dollars to their freight revenues.

W. P. Kennedy, President of the Brotherhood of Railway Trainmen, has also backed the plan. He has proposed that a national committee of rail-union men, truck and rail shippers, representatives of the A. F. of L. and the C. I. O. be established to encourage such service. He noted that the New York, New Haven and Hartford Railroad moved 34,000 truck-trailers over its lines in 1952 at a cost lower than that at which they could have been driven over the highways. If the service were made nationwide, he believes, it "would mean better jobs for our members and a health-

ier transportation economy."

Since the war, the railroads have invested large sums in improvements. Their dieselization program is now nearly completed; ingenious new varieties of passenger cars have been introduced; freight rolling-stock has been improved and other equipment and facilities have been rehabilitated. But despite this, it is possible that in the long-run, the railroads' problems can have no lasting solution. Frank Lloyd Wright, in a vein of bold prophecy, has said: "Railroads, once dominant metallic lines of communication strung in competing lines across the country, are gradually becoming useless except for the long haul overland. These private roads will soon be turned into great natural concrete arteries for mobile uninterrupted traffic on several levels. Clumsy, heavy coaches dragged roaring along hard rails are already obsolete. The present railway, no matter how amended, is too cumbersome and slow for the requirements of modern civilization and will pass with the passing of the city." ■



Block that (Capitalist) Kick

"American sports are notoriously immoral and vicious. Rudeness, bloodshed and murder are the most characteristic features of U. S. sport, manifested particularly in American football games — those desperate brawls aimed at inciting the lowest instincts in both players and spectators. These properties are inherent not only in professional football, but in the school teams composed of boys from eleven to sixteen years of age..."

—*Czechoslovensky Sport (Prague)*

Tomorrow's Air Age



The helicopter principle "remained only an idea until a time of global travel and downtown traffic jams, whereupon civilization began to beat upon the table and demand that dreams come true"

by Holmes Alexander

SOMEWHERE in my childhood I acquired an invisible and unembodied friend who bore (don't ask me why) the simple name of Newt and who never to this day has failed to lend a helping hand in time of need.

Bending to some disagreeable task like changing a flat tire, I automatically say, "Okay, Newt, jack 'er up." Often as a young father, I would assign him tasks or call on him for succor, much to the mystification of my children. "Daddy, who *is* Newt?" they often asked.

I could not give a plausible answer then, much less can I do it now. I merely state that Newt has

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always been my silent partner and that, not being able to journey into the future myself, I sent him there instead. It is from the vantage point of circa 1999 that Newt reported to me.

Trouble with your approach (wrote Newt) is that you're assuming human flight began with the Wright brothers in 1903 . . . The Wright brothers were able to accomplish horizontal or tangential "lift" which is not the same as pure flight. Their method requires fast

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forward motion in order to bring about aerodynamic conditions which cause a vehicle to become airborne.

But this is not flight (continued Newt) in the truest sense of the term. There are too many limitations involved. Man has forever dreamed of flight as a birdlike escape from the earth, using a set of movable wings. This, I submit, is a very different thing from being a passenger in a vehicle which requires a special place to take off and land, and which actually "climbs" but does not "fly."

To speak of pure flight, we must refer to the principle which is employed by the helicopter.

With the helicopter we do have a birdlike wing, in that it moves and supplies propulsion. We are not obligated to runways and airports. We can ascend vertically into the sky, rather than slantwise; we can achieve an aerial hovering at any altitude we wish, and we can return to the earth's surface at zero speed.

ATTEMPTS to fly with movable wings go clear back to Leonardo da Vinci in the time of Columbus . . . It wasn't until the development of jet engines after 1948 that the helicopter found the power plant which seemingly had been destined for it.

Ramjet engines, weighing only eleven pounds and developing the

equivalent of thirty-four horsepower, were attached to the two tips of the rotor. All the heavy pistons, gears and cylinder blocks were thrown away. The helicopter by 1953 was a featherweight apparatus, almost ready to present man with the long-desired gift of pure flight.

You correctly foresaw that the jet-driven helicopter would be the perfect answer for the man who wants to fly without the encumbrance of an airship or the inconvenience of surface shuttling to and from the airports . . . You observed that the means then existed for a man to take off from his backyard, or his rooftop — brief case or golf clubs under his elbow.

BUT WHEN you looked into the matter a little further, you discovered that no man had ever flown with this device . . . It needed the costly research and development which only a government can afford. When you asked why the U. S. Government had declined to invest in "Project Pinwheel," as it was called, an Air Force officer at the Wright-Patterson Base said:

"The aero-medics just feel that the human legs won't make a good landing gear. We can't justify going ahead with Pinwheel because it might result in delivering a lot of broken-legged soldiers to the battlefield. We'd rather have multi-

place helicopters with a trained pilot in charge."

But the idea was too good to be lost. The Army now has a test model of a one-man, collapsible helicopter which lands on skids.

An enterprising firm, headed by Stanley Hiller, Jr., in Palo Alto, California, came up with a two-place copter which, while still a vehicle, was trimmed down to the bare essentials of conveyance. The Hiller-Hornet, with an empty weight of only 356 pounds, was designed for the civilian market and priced at less than five thousand dollars. In 1953 it was a marvel of simplicity.

BUT WHY has flight, always man's heart's desire, been so long denied him and so often been offered in imperfect forms? If you want my opinion (wrote Newt), the story of all progress can be told in a one-word digest: utility.

I am not talking now about invention, for that is the result of creative instinct in a man. Da Vinci may have "invented" the helicopter principle, but he didn't develop it. The idea had no utility in Italy of five centuries ago. There wasn't enough technology to exploit the use of flight; there wasn't enough urgency in those more leisurely days to insist upon flight. So the idea remained only an idea until a time of global travel and downtown traffic jams, whereupon

civilization began to beat upon the table and demand that dreams come true.

LET'S GO back to your image of the man with a brief case or a golf bag. If Mr. Brief Case is as sharp as he's rated, he sees what's needed is some sort of get-together between the helicopter and the airplane. You came across this idea in your research and saw that it was hovering indecisively on the horizon of the future.

The so-called convertible plane was one which took off, straight-up like a copter. But when it reached a suitable height, this convertible craft would fly, forward and slantwise, like a regular airplane.

The contraption was awkward, as all the drawings showed, but it wasn't unfeasible. Anybody writing from available information in 1953 would have been justified in predicting that the near future would produce a 300 mph convertible plane capable of carrying about twenty-five passengers and of landing at zero speed in the heart of the city.

So far as you could find out, such a craft was always on the verge of being built — but never was built. What luck! While the theory of convertibility was sound according to the principles of utility, there were too many bugs in that particular arrangement.

Mr. Brief Case was thinking to himself: "Whose nutty idea was it that the copter and the plane must be all of one body? Why in blazes can't we keep them separate and have them come together only when there's a purpose to be served? The relation between copter and plane should be the relation which exists between a tugboat and an ocean liner."

Why not? For years we've been using airborne planes to pick up the mailbags. During World War II we learned to haul gliders by plane or copter. Since World War II we have developed aerial refueling, a method which involves synchronizing the speed of two aerial vessels and of passing a line between them. Put these three techniques together and the tug-ocean-liner relationship begins to take shape.

BY THE mid-1960s (Newt reported), the tug-liner arrangement had become accepted by CAA and other certification agencies throughout the world. Here is my (Newt's, that is) abridged list of important effects upon aviation:

(1) The first jetliners were saved from early extinction because aerial tugs canceled out the take-off perils. By the end of the 1950s, you no longer saw a jetliner either taking off, landing or climbing to altitude. No, indeed. A large copter-tug would drop a hook into the

jetliner and up they'd go to the plane's optimum altitude, around forty-five thousand feet. During the assisted ascent, of course, the craft's engines were running and the joined-together craft would hit as high as 200 mph before separating. When the jetliner reached its destination, you'd get the same process in reverse. A copter-tug would drop its hook, the speeds would decrease and the assisted descent would end exactly at the spot where the liner was scheduled to unload.

(2) All our wailing and despairing over the so-called "airport problem" had been voided—because by this time there weren't any passenger airports. The need for them had disappeared with the wide use of tug-copter. Passengers would board and disembark at small kiosks called "airstops."

Newt's predilection concerning utility caused him to stress the rapid growth of air freight in the future. Historically, I judge, air freight came of age in the Berlin airlift of 1948-1949.

Primarily what the Berlin airlift taught us was the need of big planes.

OUR planners currently think in terms of a plane with a fifty-ton pay load, which is already at hand, and of speeds of around 400 mph, something that must await the development of prop-jet power plants.

Biggest airplane in the world at this writing is a Consolidated-Vultee cargo carrier, of which the Air Force owns the prototype, known as the XC-99. It carries a maximum pay load of 104,000 pounds, is able to take off on ordinary runways of less than six thousand feet, can be backed into loading depots with its own power like a truck and supplies its own internal power for cargo-handling on the ground.

THERE YOU GO again (wrote Newt) overstressing the importance of carrier aircraft. Cargo planes, yes, are more utilitarian than passenger ones; but tomorrow's Air Age will be even closer to the grass-roots. Why don't you bring your story down to the people—the everyday people who seldom, if ever, ride an airliner or ship cargo by air?

"Give me time, won't you?" I answered in rebuttal. "I was just getting ready to run some figures on the very subject you mention. Transportation of people and freight is big business and we hear a lot about it. But actually noncarrier aviation in the U. S. A. is a far bigger operation than air lines or air cargo."

Readers won't believe you (Newt insisted) unless you knock them

over the head with facts. Tell 'em that the noncarrier fleet is thirty-six times as big as the carrier fleet; that personal aircraft fly three times as many hours a year as the carriers do; that there are six thousand civil airports in the country and that the scheduled airlines use only five hundred of them.

SCRATCH an Air Age planner and the blood that flows will be from a man who inwardly knows that the flying machine is the utility machine of the future. Pay no attention to statistics which seem to gainsay this prophecy.

You will find that the number of young people who learn to fly, and the number of personal aircraft manufactured each year, are not increasing as you think they should. Also, you will hear that the increased complexity of planes, their rising prices and the loss of glamour in flying are factors in the falling off of personal aviation. Pay no attention at all (Newt advised me) to such negativism. Personal flying — by which I mean every kind except carrier aviation — is to be a distinguishing characteristic (according to Newt) of tomorrow's Air Age.

By circa 1999, the personal plane will be as commonplace as the automobile. ■

The wealthy cannot enjoy one of the greatest thrills of our modern way of life: the quivering excitement of paying the last installment.

West European areas bordering the Iron Curtain have more people than can be supported under present conditions. The dangers and suggested solutions are outlined in this on-the-spot report



by Michael L. Hoffman

OVERPOPULATION is a term which conceals as much as it reveals; but it is, nevertheless, so deeply ensconced in common usage that it seems difficult to get along without it.

Considering the number of people who live within a fifty-mile radius of Times Square, it is obviously absurd to suppose that there is any absolute limit to the number of people a given area can support at any given standard of living. By varying the proportions in which labor, land and capital are utilized in the exploitation of material resources, and, above all, by giving full rein to the possibilities inherent in the geographical and functional specialization of produc-

tion, almost any concentration is conceivable.

It is not true that Southern Italy "cannot" support as many people per square mile as Belgium. In the eleventh century Southern Italy and Sicily supported a great many more people per square mile than Belgium, and at a considerably higher standard of living.

What is true is that Europe suffers from the problems raised by a severe and (historically speaking) rather sudden distortion of the general relationship between land, other productive resources

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and population. There is a greater need for adjustments in the pattern of production and distribution than most systems are capable of in a short time. If economic systems were perfectly flexible and marvelously governed, there would be no overpopulation in Europe. But Europe's economic systems are rusty and often poorly managed; and Europe has been torn by two great wars in this century. The need for special attention to the population problem arises almost entirely from these circumstances.

It is not, as it may be in Egypt or in India, a problem rising from a huge excess of births over deaths. According to the most careful students of these matters, Europe, with the possible exception of some of the communist countries of the East, is "demographically stable." The rate of population increase is considerably less than that in the U. S., particularly in just those areas where "overpopulation" is a serious political problem.

IT IS FUTILE to try to fix an absolute figure for the amount of Europe's "overpopulation." Estimates ranging from three to ten million have been put forward. Each one depends entirely for its validity upon many assumptions, often unstated, about the whole range of factors affecting economic development. What we can do is to state briefly how the responsible authorities in

the countries most affected view their problems, and what they broadly agree upon about how to work toward reasonably satisfactory solutions. What we can hope for is that through the application of intelligence to the existing situation, an endurable, and possibly even a fairly satisfactory degree of balance between population and resources can be restored.

The European overpopulation problem is concentrated in five countries: Italy, Germany, Austria, Greece and the Netherlands. Only in the Netherlands is the pressure of population directly related to an unusually high birth rate, and the total size of the problem is not great. An emigration of around sixty thousand yearly is regarded by Dutch authorities as adequate to keep a reasonable balance. And the Netherlands differs from the other areas in being a country of very high living standards, with no chronic unemployment since World War II.

The biggest problem is in Italy. Italy had been a country of large annual emigration for fifty years prior to the advent of the Fascist regime. First for reasons of policy (the notion that Italians should be kept at home for building up military manpower), and later because of the isolation of Italy during the war, this normal emigration was drastically reduced. During the same period American

immigration laws were twice amended to make it relatively more difficult for Italians and other Southern Europeans to enter the most rapidly growing country suitable for European resettlement. So when, in 1946, the new Italian regime completely reversed the Fascist policy and began favoring emigration, it found one traditional outlet almost closed. The Italian economy has proved capable since 1946, despite grave difficulties and weaknesses, of absorbing into useful employment the annual population increase. And the rate of population increase is declining.

THE ITALIAN problem, contrary to what many people imagine, is therefore entirely a "backlog" problem. The Italian authorities have recently concluded that this backlog is in the neighborhood of two million people. Taking into account the declining rate of growth, an annual emigration rate of from 150,000 to 175,000 yearly for ten to twelve years will largely meet Italy's problem. The concentrated efforts of the Italian government and the International Committee for Migration from Europe, in co-operation with the governments of Australia, Canada and several Latin American countries, have managed to get net migration from Italy up to about the required figure. But unless these efforts to promote organized migration are

continued, serious difficulties can be expected in the next few years.

There is less agreement on the Greek problem, partly because less information is available about the country's actual and potential capacity to provide useful employment for its people. Greece, however, like Italy, has long been a country with a substantial normal emigration; and, like Italy, it has suffered from the closing of doors to her people in many parts of the world. Her country is poor; her people are poor; and into the already crowded and struggling land have poured thousands of people of Greek ethnic origin from the Middle East and from communist lands to the north. Greece probably needs to move at least half a million people to less-crowded lands.

Austria's problem is the presence on Austrian territory of substantial numbers of non-Austrians, whose chances of settling permanently in Austria are slim. These include about thirty thousand non-Austrian and non-German refugees from Eastern Europe, and at least part of the 250,000 odd *Volksdeutsche*, or people of ethnic German origin, who formerly resided in the Slav countries of the Danube basin. These people are a political and social danger in an Austrian economy too inflexible to make good use of their abilities. They are proving excellent settlers in many parts of the globe. But they

must be moved out of Austria.

IN WESTERN GERMANY the problem has assumed its most dramatic form because of the poignant story of refugees fleeing from communist terror in the East, mostly into West Berlin. Counting Germans thrown out of their homes in territories now governed by Poland, Czechoslovakia and Russia; ethnic Germans from Eastern Europe generally; Germans from what is now Eastern Germany; and non-German refugees who were originally uprooted because of Germany's own aggressive disturbance of the European scene, at least eleven million people have been thrown into Western Germany in the past seven years. The remarkable German economic comeback has proved the absurdity of dogmatic statements about overpopulation. By the summer of 1953 unemployment in Germany had dropped to a little over one million, and many German authorities were prepared to deny that Germany had an overpopulation problem in any sense.

There are three facts about the German situation, however, which justify retaining Western Germany on the list of countries with a population problem. The first is that there is a very widespread and persistent desire on the part of individual Germans to find overseas homes for themselves and their

families. The complex pressures that make a man feel that he is "excess" in his homeland are clearly at work in Western Germany. Secondly, there is a continuing inflow of refugees. Nobody knows how long this will continue. The absorptive capacity of Western Germany has been shown to be very great, but it cannot be assumed that the next million will be as readily absorbed as the last million. Thirdly, a consideration which weighs heavily with many Western statesmen, is the concentration in Western Germany of millions of displaced persons with eyes eternally turned eastward. Political activity directed to winning the votes of these people, by giving reckless promises about getting back former German territories, is a serious danger to the peace of Europe. There is much to be said, whatever the German government's attitude may be, for the encouragement of the desire of individual Germans to strike roots in places from which they would be less likely to be swept into a crusade for reconquering Eastern lands.

IN EVEN such a cursory survey as the above, one can see that Europe's population pressures, varied though they are in origin and nature, exist in a belt paralleling the Iron Curtain from the Baltic to the Black Sea. It is the profound belief of

nearly everyone who has studied these matters in recent years that a sensibly-planned migration from Europe is both the easiest and the most durable method of improving the foundation for economic and social progress in these regions. Migration is also of tremendous political importance. For it can help improve the conditions that seem to breed communism and other forms of political extremism in just those regions where the ever-watchful Russian power could most easily profit by such troubles.

Where are "excess" Europeans to find new homes? Here again it is futile to attempt to draw up a numerical list with the idea that there is some definite and fixed capacity for absorbing immigrants in different countries outside of Europe. We know that very few Europeans are likely to settle in India or Iceland, or move voluntarily to Siberia. But in vast areas of the temperate and semitropical zones, settlement possibilities exist which are larger or smaller depending on how well countries are governed, on what kind of people live there already, and on the same kind of economic factors that determine the capacity of European countries to cope with growing populations.

In Canada and Australia definite policies of encouraging suitable immigration have been adopted, and effective administrative ma-

chinery has been established to carry out these policies. The Australian Minister for Immigration has recently reaffirmed that Australia can and should absorb 100,000 people yearly without any serious interference with her living standards. Canada, for her part, has taken up to 190,000 immigrants in some post-war years. She will probably continue to take at least 150,000 yearly. In both Canada and Australia a substantial proportion of immigrants are British, and both governments intend that this should continue. However, both are admitting people from the continent in numbers that make a significant dent in the problem of the crowded central European areas. And, by drawing off population from Britain, Canada and Australia (and to a lesser extent other parts of the Commonwealth) have provided the necessary counterpart to a movement into the United Kingdom of well over 100,000 continental Europeans (mostly political refugees) since 1945.

ARGENTINA, Brazil, Venezuela, Costa Rica, to name only those who have shown the most governmental interest, are all actual areas of resettlement for Europeans. In these countries, however, there are serious problems in reestablishing European families, particularly those from relatively high living-

standard areas of the Netherlands, Germany or Northern Italy. An immigrant without capital is likely to find himself worse off than in his homeland, unless organized programs of investment are developed to provide the housing, the tools, the utilities and the factories necessary to start the process of economic development.

Finally, but by no means least, is the United States. Long a country of large immigration, the U. S. has opened its doors only spasmodically during the past two decades to settlers from those parts of Europe where a population problem exists. Nevertheless, since 1945 the U. S. has absorbed more immigrants than any other non-European country as the result of three successive programs. Originally designed mainly to assist refugees, these programs have had the effect of helping, at the same time, to ease the longer term European population pressures. And yet, the 1.4 odd million persons who have found new homes, and new hope, in America since World War II represent an immigration rate that is one of the smallest of any country of potential resettlement.

SOME migration-flows in the modern world develop and continue without any organized effort to sustain them. But individual migration is far more difficult than it

was a hundred years ago — or even twenty years ago. Governments control everything, these days, including people. To move people out of Europe at anything like the rate that is desirable, governments must be willing to cooperate, and money must be spent.

Recognizing these facts, twenty-two governments formed an organization in 1951 to see what could be done. The Intergovernmental Committee for Migration from Europe started modestly, early in 1952, to help interested governments find the people who needed to be moved from Europe, "process" them through the maze of different paper barriers that must be crossed, move them to ports of embarkation, put them on ships and deal with the million and one other details involved. The Committee has moved nearly 100,000 people out of Europe since it began operations, and by mid-summer 1953 was moving over ten thousand a month.

But furnishing transportation and "processing" has not proved to be enough. The Director of ICME, former U.S. Ambassador Hugh Gibson, quickly decided that, unless international help was given to many countries of potential immigration, those countries would be unable to absorb migrants at a satisfactory rate or in a satisfactory manner. Something very much like the colonization schemes that

were developed by British companies for the settlement of what is now the U.S. would be necessary, Mr. Gibson believed, to develop large-scale resettlement of Europeans in many potentially rich, but presently poor parts of the world.

With the help of many organizations, and most particularly of voluntary organizations working under the inspiration of various churches, some of these modern colonization schemes are now under way. Most of them are modest, but as they show results, they can be multiplied manifold.

Venezuela, for example, recently launched a project for settling five hundred European families in an underdeveloped interior area, involving clearing of land, construction of houses, communications and furnishing of farm machinery. In the past three years, Venezuela has opened up about 75,000 acres by "colonization" and provided homes for over four thousand families. There could be no better proof of the dynamic possibilities of planned resettlement under wise and cautious direction.

It is the intention of ICME to help countries with this kind of colonization. Many schemes are

being developed, and the World Bank has kept a very friendly eye on the work, with a view to furnishing financial assistance when the time is ripe.

The ICME is budgeting about 37 million dollars a year, of which the U.S. is paying roughly nine million. The ICME, however, is not and has never claimed to be the whole answer to the migration problem — much less to the overpopulation problem. Voluntary agencies, the administrations of governments like the Netherlands, Australia, Canada, the International Labor Organization, the great religious bodies — they are all helping and all learning more all the time. In flexibility there is strength in such matters, and pat, comprehensive solutions have consistently been rejected in favor of less ambitious but more manageable projects. If this attitude continues to prevail, and if governments persevere in their cooperative efforts to remove Europe's population problem from the explosive category (and, incidentally, benefiting many countries who desperately need new people), there is every reason as of today to believe that the effort can succeed. ■



Flying Females

Harriet Quimby didn't know what she started — back in 1911 when she became the first American woman to hold a pilot's license. Today more than 16,000 U.S. women hold pilot's licenses.

—Planes

A young man named Levi went West to look for gold—but he struck it rich with a pair of pants instead



Bowlegged Bonanza

THE VIVID reports of the 1848 gold strikes blanketed the country like an epidemic, and "Westward Ho" became a fever. Among those to succumb to the lure was a young man, who at the age of twenty took leave of the refinements of New York to seek his fortune in California. Among his belongings he packed some bolts of heavy cloth and canvas to be sold as wagon coverings and tents. This money was to be his grub stake, his means of buying the necessary prospecting equipment. Thus Levi Strauss set sail on a trip which was to take months — the long but safe route to California by boat.

Upon his arrival in San Francisco, young Levi was able to dispose of most of his goods. But a miner with whom he had struck up

an acquaintance (for he was anxious to learn how one went about this business of "striking it rich") scoffed at his bundle of fabrics.

"Should have brought pants," was the derisive comment.

"Pants, why pants?" asked Levi.

"Pants don't wear worth a hoot in the diggins," complained the grizzled prospector. "Can't get a pair strong enough to last no time."

Levi stared at the badly worn trousers on the old man. Ten minutes later they were both in a tailor shop. "Make my friend and me a pair of pants out of this," Levi instructed the tailor, removing some canvas from his bundle.

No sooner did the old prospector get his new pants than he began to parade them about San Fran-

cisco. "Look at these pants of Levi's," he boasted. "Doggone if a man ever had pants as strong as these before."

Word spread about "those pants of Levi's." Prospectors by the dozens came to view the "miracle fabric." As for young Levi, he never did get a chance to look for gold. He was too busy selling pants.

Style was very important to that rough-and-tumble lot. Unlike other wearing apparel, Levi's have remained almost totally unchanged in the more than one hundred years Levi Strauss & Co. have been in business. If a pair of pants turned out insufficiently snug, the cure was to "put them on, jump in a rain barrel, and stay there till they tighten up." There was but one style — "exactly like you made for the other fellows" — low-hipped, tight and cord-sewn.

By 1853 young Levi Strauss was ready to expand. He convinced his older brothers in New York to combine their capital with his and venture into wholesaling, jobbing and manufacturing. Tailors and seamstresses working at home and in their establishments were furnished with the canvas, heavy duck and blue denim. Within a short time the word-of-mouth reputation of these hard-wearing garments increased the volume of sales giving young Strauss confidence to open his own plant and gather his workers under one roof.

It was almost twenty years before the first change in Levi's occurred. And it came about because a tailor was provoked. Jacob W. Davis of Virginia City had as a customer an obstreperous prospector who would consistently go into a rage because of the inadequate sewing job done on the pockets of his Levi's. This character, appropriately named "Alkali Ike," would load his pockets with samples of rock and ore while out prospecting. The strain on his pockets, especially at the corners, was too much. They ripped, and Alkali raved. Once, in disgust, Davis took the torn Levi pants to the harness maker and reinforced his repair job with copper harness-rivets. On his next return trip, instead of the usual outburst, a beaming and jovial Alkali burst into the tailor shop, bottle in hand, to toast his benefactor. His riveted pants pockets had held up.

Apprised of the story by the Virginia City tailor, Strauss patented the idea and Davis was made supervisor of pants production. From then on, all Levi's were made with riveted pockets.

The second innovation was sixty years in coming. During a hunting trip a couple of Levi Strauss men took a bob-cat. "Has a mean set of claws," said one. "Strange, isn't it, how a cat can conceal its claws. They are covered so they won't scratch," noted the other. This ob-

servation led to a major improvement in Levi's — the concealment of the back pocket rivets so they wouldn't mar furniture, upholstery or fine saddle leathers. The method devised was good enough to be patented in 1937.

Since their inception, Levi Strauss & Co. have turned out a staggering 125 million pairs of the bowlegged pants. Each year some 6.5 million pairs are produced. From the beginning, Levi's have been the traditional garb of the grizzled prospector, the Colt-carrying cowboy, the weather-beaten ranger. These hard-wearing indigo blues have been worn by the track gangs who first laid the transcontinental railroad, the dredgemen who carved out the Panama Canal, the pioneer diamond diggers in South Africa and the sandhogs who scooped out Manhattan's subways.

To help meet the demand for these wondrous knockabout trousers, Levi Strauss & Co. employ some 2,200 men and women, and carry a payroll of over five million dollars annually in seven plants, all in the West. The popularity of Levi's has attracted many competitors. "A new pair free if they rip" is the company's standard slogan.

THE GAMUT that these tough-textured trousers have run is amazing. The depression of the thirties, oddly, brought a boom to Levi

Strauss & Co. Of necessity these knockabout denims became popular — even with the ladies. Western women donned them before the glamorous Marlene Dietrich popped eyes by parading about in trousers. Eastern ladies gradually followed suit. Their demand resulted in a special style — "Levi's for Ladies." Today, no feminine wardrobe is complete without a pair or two of the snug, blue denims hanging in the closet along with the cocktail dresses and evening gowns. Levi's have become a household word.

The praises bestowed upon these humble trousers have been many and varied. Not least among them is the fact that there is hardly a place in the world today where somebody isn't wearing a pair of Levi's almost exactly like the ones which young Levi Strauss had made for his prospector companion more than a hundred years ago.

But the one tribute that probably would have made Levi Strauss chuckle with pride, is a letter sent to the company from a little spot called Otto, Wyoming. A lady wrote, "Going between here and Basin, we found a man who had run his car off the highway and was stuck. Had no chain or rope, but found a pair of old Levi's in the back of the car and tied one leg to our car and one to the front of his. We really had a pull, but the pants held, and out he came." ■

Little Books—BIG Business



A revolution in book marketing has made paper-bounds the favorite reading of millions who never read before

A REVOLT with a conscience is churning in the world of book publishing. It is not just that the infant paper-bound books have been running rampant among the readers while the hard-cover publishers have been idling. The infant, now, is in the throes of soul-searching because muscles alone leave him unsatisfied.

To the general public, paper-bound books automatically mean some combination of an immodest hussy, a smoking gun or blood-dripping dagger, a dead body and a hoodlum in hot pursuit. The reading public has squandered its quarters by the multi-millions for the reading excitement these lurid picture-covers promise. But there is a growing, if less spectacular, sale of

pocket books *not* of the crime and passion variety.

Until recently, the cheap and tasteless fiction was defended on the ground that it was what the American public wanted to read. The enormous sales figures justified this thinking. Through more than 100,000 distribution channels usually reserved for popular magazines, huge numbers of pocket-sized books have been gobbled up by millions of buyers — gaudy covers and all.

A first printing of a paper-bound is usually in the neighborhood of 150,000 copies, at a cost of about seven cents per book. Profit per book is about a cent and one half. Unless the printing is a near sellout, the loss can be disastrous.

Competition is keen for the twenty-five-cent customer. A brighter or more suggestive cover along the lines of "calendar art" will attract the eye. There is no scope in which to gamble.

But a revolt brewed nevertheless. The reading public, or at least an active segment of it, also bought "quality" in reading material. Homer's *Odyssey*, with a cover which suggests nothing more than classic antiquity, has sold over a million copies in just three years; *The Pocket Book of Child Care* by Dr. Benjamin Spock has been bought by over four million readers. The list of subjects now being published and available to the discriminating reader is indicative of the direction and thinking of both publisher and purchaser. In the non-fiction field, the variety is remarkable. Poetry, plays, science, biography, philosophy, history, medicine, economics, political commentary, travel — all have considerable representation. In fiction, the list of authors represented will amaze those who see the small book as only cheap trash. Authors include Steinbeck, Quentin Reynolds, Chesterton, Phillip Van Doren Stern, Stephen Crane, Franz Werfel, Bronte, Thomas Mann, Shakespeare, Dos Passos, de Kruif, to name just a few.

THIS DOES not mean there will be an elimination of the tawdry type

of book from the newsstand and railway terminal rack. By no means. These books are and probably always will be the hard core of sales. "The capacity for enjoying books has almost as many levels as there are readers," said Freeman Lewis, Executive Vice-president of Pocket Books, "and any publisher professing to distribute books to the bulk of our population would be thoroughly remiss in his duty if he did not try to provide titles which would give pleasure to as many levels of reading taste as possible." Improvement in reading taste is a development which cannot start at the top. What the publishers hope for is the establishment of the reading habit where it hasn't existed. Because of the low priced book, many people are now reading who never did before. But the surface is little more than scratched. According to Victor Weybright, Editor-in-chief of the New American Library of World Literature, "Only ten million Americans read the 250 million small books that were sold in 1952."

Perhaps that explains the indifference of the hard-cover publishers when this illegitimate paper-bound infant came "a-spawning." For them there are only some three thousand genuine bookshops in the entire United States through which to market their reading wares. Little wonder that a hard-cover that sells but ten thousand

copies can make the best-seller list. It is an ironic commentary on the activities of the hard-cover publishers that there are more than twice as many Ford dealers than book stores—twice as many customers for a two-thousand-dollar car than for a three-dollar book. Columbia, Mo., for example, the home of two colleges, one of which boasts an excellent journalism school, has no book store. Nor does Youngstown, Ohio, population 168,000. When a clerk in "The greatest department store in Youngstown" was asked what one does to buy a new novel (the only local paper devotes a whole page each week to reviewing books) she replied, "They go to Cleveland—it's only a hundred miles away." The dearth of outlets for the hard-cover trade has plagued the industry since its inception, yet publishers have evidenced little effort to find a solution to the marketing problem.

And this is the more remarkable considering that some of today's prominent hard-cover publishers, "trade publishers," as they are called, many years ago were in the paper-bound field. Notable among them are Harper & Bros., D. Appleton & Co., Henry Holt & Co., Dodd, Mead & Co., and Funk & Wagnalls.

THE PAPER-BOUND book originated in Europe. Publishers on the continent and in England were quick to utilize the improvements and

inventions in paper manufacturing, printing and mechanical typesetting, during the period from about 1790 to 1830. In America the first known publisher was The Boston Society for the Diffusion of Knowledge, in 1829. Two years later The American Library of Useful Knowledge came into being with the avowed purpose of issuing "in a cheap form a series of works, partly original and partly selected, in all the most important branches of learning."

The current crop, which is causing such upheaval in both publishing ranks and reading habits, began with Pocket Books. Inspired by the success of Penguin Books in England, this company was formed in 1939 and tested a handful of titles in drug and department stores in New York City. Public response was enthusiastic, but these few outlets could hardly sell in sufficient quantity to make the venture profitable. It took two years to induce four wholesale magazine distributors to handle pocket-sized books. Today more than 750 independent wholesale distributors of magazines and newspapers help market these publications along with their other quick-turnover merchandise. In addition, most five-and-ten-cent stores, drug chains and supermarkets sell this inexpensive reading matter.

Other factors, besides the eye-

catching covers and low price, favored the new enterprise. We were emerging from the depression in 1939, and more twenty-five cent pieces were becoming available for things other than sheer necessities. World War II ended unemployment at home and scattered our GIs over the globe. The Armed Forces ordered millions of copies of these paper-bounds for free distribution to servicemen wherever they were sent. Our soldiers were exposed to good authors and a wide variety of educational literature. The habit of reading paper editions of the better books took hold, not only in our Army but the world over where our troops left behind these inexpensive books. Today the export of these volumes is an active part of the business. Another impetus is the successful motion picture dramatization of the hard-cover novel. The widespread publicity created by the movies of *Moulin Rouge* and *From Here To Eternity*, for example, re-

sulted in such demand for these books that dealers can hardly keep them on the racks. And the price of seventy-five cents meets no resistance.

Not that the price is automatically raised to cash in on the public fervor. Usually these books are first published by the hard-cover publisher whose contract with the author includes rights in other media for which the book may find a market. And these "trade publishers" exact a high down-payment from the paper-bound publisher for the right to reprint in mass production. Nor are such expensive projects always profitable to the mass producer.

THE PATH of the paper-cover publisher often is rocky and marked with hazards. Some publishers have overloaded wholesalers, resulting in huge unsold inventories. The entrance of more publishers in the field, once considered important in helping to advertise the new

Jefferson on Book-burning

"I am mortified to be told that, in the United States of America, a book can become a subject of inquiry . . .

"Are we to have a censor whose imprimatur shall say what books may be sold, and what we buy? Whose foot is to be the measure to which ours are all to be cut or stretched? It is an insult to our citizens to question whether they are rational beings . . . if (a book is) false in its reasoning, refute it. But, for God's sake, let us freely hear both sides, if we choose.

"The book is not likely to be read much if left alone, but, if persecuted, it will be generally read. Every man in the United States will think it a duty to buy a copy, in vindication of his right to buy and read what he pleases."

— *From a letter by Thomas Jefferson (1814)*

reading medium to more thousands of prospective customers, is now considered a problem. According to Leonard R. Harris, Sales Promotion Manager of Bantam Books, "So many new, small publishers are attempting to get into the act that the dealer's rack facilities are often tremendously overcrowded. When they're overcrowded to begin with, and then ninety to one hundred new titles come out every month, the practical effect is that small books stay on the stands a much shorter time than they did several years ago. It's likely that as a result, some of the small publishers are going to get hurt. Further, word-of-mouth has always been the major factor in selling small books — and word-of-mouth these days doesn't get nearly the chance to function that it used to have. By the time enough people have read a book and talked about it, odds are that it has been crowded off the stands by new arrivals. Consequently, only a few books each month benefit from the kind of talk that builds our million-copy best-sellers."

Add to this the ogre of censorship which has arisen from some quarters. Self-appointed censors have demanded legislation to control paper-bounds. The effect on teen-agers and children, they claim, is unwholesome. In one instance a police chief suppressed some 443 books. Often local groups, threaten-

ing to boycott a dealer, have become censors. Whenever these issues have reached the courts, rulings, so far, have favored the publishers. In defense of authors and publishers, Congressman Emanuel Celler said of censorship: "At one time or another many famous authors, now acknowledged as leaders of their time, have fallen under the censorial ban." He names, as examples, Homer, Voltaire, Goethe, Shelley, Dante, Hawthorne, Moliere, as well as contemporary writers such as Sherwood Anderson, Upton Sinclair, Theodore Dreiser and Bertrand Russell.

THOUGH the publishers are winning the censorship battle, the problem never ceases to exist. Bad taste can always arouse self-righteous citizens. Speaking for the trade, Weybright expressed confidence that the public would perform its own natural censorship at the point of sale: "We believe that given the choice between good and bad books, good books will inevitably win out and continue to be good — long after bad books and mediocre books are forgotten." Also, there is growing automatic self-censorship in the business. Publishers realize that, unless they are selective, the real audience, interested in good reading, will not buy.

It has been the creed throughout the history of book printing to try

to make available the best possible books for the largest number of people at the lowest possible prices. And the current crop of pocket-sized publishers seems to be taking this creed literally. They know from surveys that nine out of ten people read newspapers, seven out of ten read magazines, while only three out of ten read books. One research group found that 72 million Americans never read a book — almost half our population. This is an enormous potential market, and the publishers know that to develop it and keep it they have the responsibility of supplying it with useful as well as entertaining reading matter.

In the field of paper-bound books there are about a dozen major publishers. Most, if not all, of them are developing titles directed toward students and scholars. They distribute catalogues to high schools and colleges of recommended titles on a wide variety of subjects, both fiction and non-fiction. Teachers and professors have taken to suggesting paper-covers as an inexpensive method for students to acquire literature for their

classes. Libraries are ordering paper-bounds because, with their limited budgets, the money can go much further. And personal bookshelves are more and more being stocked with paper-bounds.

JUST recently Pocket Books announced the Pocket Library of Great Art. The first dozen artists, with color reproductions of their famous paintings included Degas, El Greco, Rembrandt, Renoir, Van Gogh, Toulouse-Lautrec — to name just half of them. The New American Library has come out with an English translation of the Koran, the Sacred Book of 350 million Mohammedans, an event which *The New York Times* called "of great religious as well as literary importance." Paper-covered Mentor Books are devoted solely to non-fiction.

In the past decade the inexpensive book has become a dynamic force in the American publishing trade. The men who run the business know that to remain so, their responsibilities must parallel their profits. For the final decision rests with the reading public. ■

1 1 1

Att: Mr. Wagner

Of all the debts owed by local governments in the United States, one-fifth of the total is the gross indebtedness of New York City. The cost of financing this debt, says the Citizens Budget Commission (N. Y.), is roughly equal to the total expense budgets of Delaware, Nevada, South Dakota, Vermont and Wyoming, combined. The city's gross debt at the end of the fiscal year was 3.4 billion dollars, plus.

—*Tax Outlook*

Millions of wasted dollars and thousands of shattered lives is the price we pay each year. Here is what we can do about delinquency

THE COST OF JUVENILE DELINQUENCY

by Dr. Bonaro Overstreet

WE ARE BEGINNING to realize that in area after area of our everyday life, our resources are not actually unlimited. There is a point where it becomes necessary for a people to count costs, whether it be of ravished forests, eroded farmlands, political corruption, international tensions—or of delinquent youth.

No nation, any more than a family, can afford to pour out its resources endlessly for dealing with emergencies, without ever trying to go further and stop these emergencies at their source.

From a purely economic angle, if we must measure costs in money, it is worth our while to take notice of certain new figures put out this year by the Children's Bureau of the U.S. Department of Health, Education and Welfare. The Bu-

reau tells us that: "The cost to the public for handling 1951's 350,000 delinquent children was roughly 105 million dollars, or an average of three hundred dollars per child. (This does not include the cost of children who were picked up by the police and then released.)"

Particularly at a time when we are facing stern realities about the needs and costs of national defense, that is a lot of money: 105 million dollars. It is not small change pulled out of a hat by a magician. It is pulled out of the pockets of our society.

It is, we might say, *diverted money*, money that had to be turned out of the normal channel of uses and drained away for emergency purposes.

Of course, to count costs would be grudging if the expenditures had added up to a solution of the problem. It would be grudging in the extreme if these expenditures had added up to a sound and happy reintegration of delinquent youth

Dr. Bonaro Overstreet, distinguished writer and teacher, is currently on a lecture tour with her husband, Dr. H. A. Overstreet.

with our common culture. But as the Children's Bureau goes on to say:

"Certain studies have shown that more than five out of every ten young people who appear before our juvenile courts today go on to commit one or more serious crimes for which they will be convicted as adults.

"A large majority of the inmates of our prisons for adults were once juvenile delinquents."

WHERE DO such facts leave us? We spend, and we do not accomplish the ends for which we spend. If at least 50 percent of the delinquent youths who are actually dealt with by our agencies and institutions go on to become adult criminals; and if new and expanding crops of delinquents keep coming along, it is time we sized up the situation afresh.

We have come to realize today that delinquency is desperation. It is emotional desperation converted into action. To the best of our knowledge to date, it is in most cases the manifestation of an individual giving up the struggle to belong in the world in which he lives.

There may be—indeed, there appear to be—instances of what we might call inborn amorality: a native lack of the characteristic, common to the overwhelming majority of human beings, that serves as a

psychological "glue" to hold the individual within the general group pattern of life. But this would seem to account for so small a proportion of the actual overt cases of delinquency that we cannot use it to justify sloughing off responsibility for the problem.

IN THE LONG RUN—and in terms of the treasures that are not exclusively of this earth—the most important cost of delinquency can never be measured in dollars and cents at all. It has to be measured in the coin of misery and loneliness and of the wasted capacities of young human beings.

The situation might seem almost hopeless were it not for the fact that we have, in this psychological age, new insights with which to work.

Psychiatrists and counselors who are experienced in dealing with those disturbances of personality, which we call neuroses, have a wise word for us here. They insistently tell us that if we ever want to understand neurotic behavior, we must stop thinking of it as *senseless* behavior, or as behavior that has no logic in it. However far out of line it may be with the realities of the objective situation and the rights and feelings of other people, whatever the neurotic does *is the best thing to do, as he sees it, to make tolerable the experience of being himself.*

Far from being unmotivated, the behavior of the delinquent is motivated by the deepest necessities of the human being: to preserve his sense of identity and to come to some sort of terms with his environment.

Neurotic behavior stems from the fact that an individual's inner anxiety and confusion prevent him from seeing the realities of the world around him and responding to them with suitable action. His own problem blurs the scene, so that he sees other people and problems and situations "bent" by his own emotional refraction — as a stick appears bent when thrust into water.

At the same time, the delinquent sees a distorted image of his own world. He sees it as a place where the only means of insuring his own survival, as a significant entity, is to rebel.

Being part of a social species, he cannot simply step outside society, dismissing it and its standards and demands as irrelevant to his own existence. Paraphrasing one of the great insights of the Bible, we might say that he who is not *for* society is *against* it.

There is no way for the human being to be neutral about his relationships to other people and to the structured institutions through which they affirm their common intentions and destiny. The delinquent is not against society. He is

simply not *for* it. He has never in his life found out how to be for it and at the same time preserve his own identity and significance.

WHY has the delinquent not found out how to gain the basic satisfactions of life "within the fold?" Here again we can turn to the findings provided us by the Children's Bureau.

In the pamphlet entitled *Helping Delinquent Children*, we read that "Children start developing problems and becoming delinquent much earlier than many of us realize. A recent study of five hundred delinquent boys by Sheldon and Eleanor Glueck brought out the fact that the largest number of them first appeared in court when they were between eleven and thirteen years of age. However, *nine-tenths* of these children were having difficulty before they were eight — or even younger!

"We have to learn to detect signs of maladjustment in children while they are still very young."

Our thinking about the problems of delinquency cannot wait until an overtly anti-social and destructive act has been committed. The only realistic approach is to go "behind" the actions, to the very needs of which those actions are a distorted and desperate expression. In this direction lies *prevention*. In this direction also lies *remedial prevention*: the handling of emotional

problems while they are still of manageable proportions and while the young person has still not made any break with society that has brought upon him the label of delinquent.

FOUR different but overlapping approaches to the problem suggest themselves.

The first is to increase the pace of education in the subject of home and family life. We need to saturate our society with the kind of information about the nature and needs of children, and about the emotional subtleties and rewards of family life, that will reduce to a minimum the number of young ones who have to struggle from birth on against an unresponsive environment. This will reduce the incidence of those who are not able to develop a balanced personality because they have never had a comfortable, reassuring chance to move ahead from being amateur humans to being successfully experienced humans.

Marriage counseling services, the work of the Parent-Teachers Association, the family life programs that are now being set up in many different states by University Extension Services — all these and many similar efforts are part of the great "war on delinquency," because they aim at increasing the positive satisfactions of childhood and of family experience.

"Formula" for instilling a sense of responsibility in youth: A normal young person, we can say with some assurance, will take on responsibility and like it if, at each level of his development, he is given tasks to do that, (a) test his powers but do not exceed them; (b) make him useful to someone besides himself; (c) enable him to earn approval, companionship and a sense of worth.

—Bonaro Overstreet

The second approach to the problem involves the actual integration of a youngster's life with the activities of his society. One reason why many of our efforts to help young people have accomplished little is that we have *done things* for these youngsters but have not given them a useful and self-respecting chance to do things for their society, in the company and through the cooperation of other people.

Every human being needs, for his emotional stability, to know where he fits in, who is counting on him, whom he in turn can count on, and how adequate he is as measured by the standards and demands of his culture. The teen-ager does, to be sure, need places of wholesome recreation. But even more, he needs reassuring evidence that he is going to be equal to the adulthood that lies ahead of him — socially and vocationally equal to it. He cannot see this evidence out of things *done for him*.

In the long run, he has to see it out of things he has competently done himself — things through the doing of which he has won an assurance of belonging. Our second approach, this has to be that of giving each growing child and each teen-ager a chance to do his bit at the level of his abilities and to create his inner security and outer fellowship through such contributions.

IN THE third place, we have to keep channels of communication open between the growing child or youth and his adult society. It is certainly no accident that the overwhelming percentage of delinquents, both boys and girls, are individuals who have felt they could not talk freely and honestly with the key adult figures in their environment.

They have felt that parents, teachers, ministers, club leaders, and all the others who have wanted them "to be good" have become critical, nervous or emotionally upset by any evidence of doubts and social questionings on the part of the young. Hence they have, when beset by problems, felt both alone and "bottled up" — and often their only willing audience has been that of equally disturbed members of their own age group.

All too often, in brief, delinquent action comes at the end of a long

period of disturbed thoughts that have never been freely and honestly shared with any understanding adult. The more sincerely a fear, doubt, or grievance is talked out, the less likely it is to be destructively acted out.

FINALLY, we have to recognize — and let the young person know that we recognize — that our whole society today is marked by uncertainties and mixed values. Chief Justice Arthur T. Vanderbilt of the Supreme Court of New Jersey has listed "four major manifestations of crime in this country": subversion, gang control of business and local government, juvenile delinquency and traffic violations.

If we ask what these four have in common, we notice that they all point to the "alienation" of individuals from our agreed-upon social processes; and beyond this, they all point to a lack of imagination on the part of the individuals involved with regard to other people's rights and feelings.

It seems, indeed, the extreme of folly to hope that we can convince problem-ridden young people that they must move back within the social fold — within which they have never experienced happiness and self-respect — if conspicuous numbers of adults remain cynically outside that fold. ■

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An economist outlines some failings in the present system of income tax levies—and the “loopholes” which need to be closed

MAKING THE INCOME TAX WORK BETTER

by Richard A. Girard

THE TAXPAYER,” says author D. O. Flynn, “is the only varmint expected to yield a pelt every year.” Few taxpayers take pride in this superiority over the lower animals. Rather, they feel pretty sore.

As a result, the income tax is a close second to the Russians as a target for criticism. The two are closely related, because tension between East and West is principally responsible for the steepness of current income tax rates.

We cannot expect much relief from these high rates soon. Beginning January 1, personal income taxes fall about 10 percent, as part of an over-all program to reduce personal, corporate and excise rates. As Congress reconvenes this month, however, new recommendations will be presented. Attention will be focused on the way the obligation to pay is spread among us.

These recommendations will be important because of the existence of widely recognized shortcomings

in present tax laws. As the tax system operates today, it is needlessly rasping the emotions of many taxpayers. And it is letting billions of dollars due the Treasury slip away.

Improvements in the law by Congress will make it easier for the citizens to pay and easier for the government to collect the high revenues the nation continues to need.

Among injustices charged to the income tax, the most common criticism is that exemptions are too low. Except in rural areas, \$600 per person does not begin to cover the cost of living. Furthermore, a taxpayer who contributes less than 51 percent to the support of a dependent is not allowed a proportionate exemption. If three of an aged mother's sons contribute \$400 a year each to her support, none of

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them receives any allowance on his income tax.

Again, if a schoolboy earns \$600 or more a year, he must file a separate return. His education and other expenses may be \$1,500, but his father receives no relief under his income tax.

Many taxpayers say also that the law is niggardly in the deductions it allows for personal, as opposed to business, expenses. They especially criticize the limitations that apply to medical and dental costs, and the cost of care for children. Many working mothers and fathers have young children who need care in their absence. The cost is considered a personal expense, not a deductible business expense.

Another, but less common, charge of injustice is that wage and salary incomes are taxed at the same rates as property incomes.

Suppose Smith makes \$5,000 a year as a salesman on commission, and Fauntleroy receives \$5,000 a year in dividends and interest. Fauntleroy could spend his income after taxes and still have his securities to give him an income all his life. Smith, however, cannot prudently spend on the same scale; he must put something aside against retirement.

AS FOR the inefficiencies of the present tax system, the most common complaint concerns "loop-

holes." Perhaps nothing galls a taxpayer more than the suspicion that the other fellow is evading his tax or avoiding part of it through a legal escape hatch.

Now, the definition of a loophole is a matter of some uncertainty. But one undoubted loophole is poor enforcement. While taxpayers sometimes exaggerate the cases of successful rascality, most of them know, or think they know, people who cheat. This dilutes their own willingness to pay. And in the last analysis, tight administration of the law is impossible without taxpayer compliance.

A certain number of people not subject to withholding do not file returns at all. And many of those who do file, keep their own income records. Such groups are farmers, small businessmen and professional men. Still others receive considerable income in tips. The exactness of the returns of all these people depends — at least in the case of those with higher incomes — largely on their own will. Many such taxpayers are conscientious. Many are careless or dishonest.

Some taxpayers claim dependents who don't qualify or even exist. One man claimed his mother-in-law for four years after she died. A school teacher in San Diego listed a cat. The "Bill" reported on a farm woman's return was a sixteen-year-old mule. One dependent turned out to be an automobile.

Avoidance of income taxes takes several forms. One is *free-riding income*. For most taxpayers, food and rent require about half the budget. But millions receive them partly or wholly "free." Examples include farmers and home owners; seamen and loggers; building superintendents and hotel managers; and servants and waiters.

A similar situation, but one subject to manipulation by the taxpayer, is the *disguise of income* so that he doesn't have to report it. A company officer, for instance, may receive the use of company property, like an automobile, airplane or ranch. The company may pay his expenses when he entertains prospective customers or goes to a health resort for a physical examination. Or it may offer him a low-cost mortgage loan and discounts on purchases. In any case, these are "broad interpretations" of the tax laws — not too general, but nevertheless practiced.

Again, a taxpayer may *defer income*, perhaps in part, or spread it over a period of years to keep current income in lower brackets.

Farmers at the end of a good year may store part of their crops for sale in the next tax year, when their total income may be lower. A business executive may take an annuity payable after age sixty-five instead of a rise in present income which would be taxable at

some savage rate. One television comedian signed a contract to perform thirty-nine weeks a year for five years, and twenty-five weeks a year for another five. For the next ten years he need not perform, but must act as writer, director, producer or consultant. For yet another ten-year period the contract specifies no services. In return he is to be paid \$50,000 per year for all thirty years.

Another problem is that of *excessive deductions* for business expenses.

For most wage-earners and salaried people, incomes are recorded on their employers' books. Permissible deductions are limited, rather narrowly. However, millions of taxpayers who run their own businesses or practice professions are not equally pinned down. Permitted to deduct "business expenses" from gross income, they sometimes do so with too free a pencil.

Again, some taxpayers enjoy *sheltered incomes*. One form is income from the bonds of state and local governments. High-bracket taxpayers, in exchange for accepting a lower rate of interest, can keep the yield, free of federal taxation.

ANOTHER provision of the law makes it possible to convert income into the form of capital gains. These are the profits from the sales of property, which is taxed at a

Five Loopholes in the Income Tax

- Free-riding income
- Disguise of income
- Deferment of income
- Excessive deductions for business purposes
- Shelter of income

favorable rate. A famous team of comedians sold their show to a network for two million dollars under a complicated arrangement that made the whole amount not compensation for personal services but capital gains. At the time the rate of taxation for the top bracket was 77 percent, the rate for capital gains 25 percent.

A corporation may give its executives options to buy its stock as much as 15 percent below the market price. If they sell at a profit, it is taxable only as a capital gain.

The owner of a business may give an interest in it to members of his family. He has to pay a gift tax, but the separate shares of the profits are taxable at lower rates than is the top-bracket undivided income.

Still another form of sheltered income is that from oil wells and other mineral properties entitled to special "depletion allowances."

The law permits varying allowances, up to 27.5 percent, on the gross income from such properties, up to 50 percent of net income. A high-bracket taxpayer may find

such investments highly advantageous. If he taps a gusher, he can skim off up to 50 percent of his profits, tax free. If he hits a dry hole, drilling expenses in part come out of his taxes because business expenses are deductible.

Here you see clearly how complicated tax reform is. Congress is trapped between conflicting desires. If it wants to encourage mineral development, it *has to permit* adequate depletion allowances. If it stiffens the tax laws in this regard, it has to risk discouraging mineral development by *all* possible investors, and especially by those without big incomes from other sources.

WHAT SHOULD and can Congress do? As a basis for all decisions, it should keep in mind the four aspects of income taxation.

The first of these is the *revenue* aspect — to raise money. A second is the *justice* aspect — to raise money in the fairest way: about the same amount from every family in about the same circumstances, with regard for ability to pay in the various income groups.

Thirdly, there is the *economic* aspect — to employ the income tax in such a way as to avoid injuring incentives to work, save and invest; for an economy like ours cannot expand if those activities are throttled. And if it cannot expand it cannot survive.

Fourth is the *stabilizing* aspect. Income taxes are extremely sensitive to changes in business activity. They rise and fall *more* than in proportion to changes in business. They therefore advantageously siphon funds out of the private income stream when inflationary pressures are building up, and leave more in the private stream when it is dwindling.

Now, these aspects face in different directions and may speak different things. For instance, the revenue aspect argues for continued heavy reliance on the income tax. For the present, unless business activity recedes significantly, high rates cannot be cut drastically unless government expenditures are slashed. That would affect principally defense expenditures. Our high taxes are part of the price of defending our way of life from deadly enemies.

At the same time, high income tax rates are economically dangerous because they menace the springs that energize our system. During boom times this menace is suspended, but when production falls, menace may become fact. If in the pursuit of justice we raise rates too high, especially in the higher brackets, we may do injury to the whole economy, including the low-income groups.

Income tax policy furthermore interlocks with policy in other fields of taxation. What proportion

of the total revenue should be raised by the corporation income tax? Should dividends continue to be taxed to stockholders at full rates, or should the income taxation of individuals and corporations be coordinated? Should the government supplement income taxation with some type of sales tax? If so, what changes should be made in existing excise taxes?

Solution of these questions will take years of hard thinking and politically hazardous mediation among contending groups.

ABOUT ONE immediate measure there is no doubt. The Bureau of Internal Revenue should continue its drive against evaders of the income tax. Recent door-to-door checks in Boston, Dallas, Omaha, San Francisco and elsewhere turned up hundreds of persons who failed to file returns at all.

Two years ago the Bureau rechecked 160,000 returns taken at random. One quarter of these were wrong by at least two dollars — at a loss to the government in almost all cases.

The Bureau needs a larger staff, even if Congress puts into effect a plan to end returns by taxpayers subject to full withholding. Congress should appropriate more for enforcement. This would actually ease the burden on honest taxpayers, for it would recover between ten dollars and forty dollars

for every dollar spent. The recent drive in New England realized \$700,000 in less than two months.

For every delinquent reached in this way, as many as four may come in voluntarily, without waiting for a call. And you may be sure that these taxpayers will file returns on March 15 of *this* year!

As soon as possible, the present Congress should make a beginning at correcting the injustices and plugging the loopholes.

And, to speed the day when tax reductions can be made without injuring essential programs, it should intensify the search for ways to cut wasteful expenditures, including those concealed in defense budgets. That would not only reduce the need for revenue, but would do away with some of the excuses taxpayers give themselves for cutting corners.

OVER THE long run, it will take a lowering of the tax rates themselves to reduce tax-dodging to a

minimum. Except for the persistence of congenital cheating, the root cause of the searching for escape hatches is the feeling of many taxpayers that the rates are unreasonably high.

Actually, it is possible that lower rates could increase tax collections. Besides reducing taxpayers' resentment of what they consider unjust, they might release enough investment and economic energy generally to more than offset the initial loss.

In any case, you cannot hope for an income tax equitable beyond cavil. As a judge once said, in taxation perfect justice is an "iridescent dream." But unless taxpayers believe the tax is as fair as it can practicably be made, many are going to strain every nerve to minimize their liability. They may not remember their ancient history, but they will emphatically endorse Tiberius Caesar's statement that "It is the part of a good shepherd to shear the flock, not flay it." ■



Reviving the Spirit

The gadget mailings that big companies send provide a small something in return for the attention they seek and are often effective. But many attempts at novelty are merely ludicrous and much cute copy goes wide of the mark. Nelson Rockefeller recently received a letter beginning, "Remember when you were a boy and stood looking at the licorice sticks in the candy-store window." Another mail piece featuring a pair of plastic eyes and proclaiming, "You'll open your eyes at this" was returned by one addressee's partner marked, "This I'd like to see. My partner has been dead several months." A follow-up piece featuring a checker-board tagged, "It's your move" had unfortunately been sent to the same man. This one came back too, noted, "If he does, I'm leaving."

—*Why Do People Buy?*

The meaning and future course of Soviet purges are here analyzed by an expert on Russian affairs



The Soviet Purge System

by Ada Siegel

STALIN DIED on March 5, 1953. Four months later Lavrenti Beria, dreaded head of the police and forced labor camps, was arrested and charged with treason. Since then, the papers have been full of news of top-level purges, both in the Soviet Union and in all the satellite countries. Experts on Soviet affairs believe that this shake-up has penetrated down to the rank and file, affecting all levels of Russia's officialdom.

What is happening in Russia? No one this side of the Iron Curtain can really be sure. When Stalin died, most analysts of Soviet affairs expected Malenkov to go

under in the struggle for power, and the more experienced older Bolsheviks like Beria and Molotov to come out on top.

Yet, even a cursory glance at the history of "policemen" in the Soviet Union should have convinced us that Beria would not escape the fate of his predecessors. Of these, only Felix Dzerzhinsky, the first head of the Soviet Political Police, died a natural death. All the others — Menzhinsky, Yagoda, Yezhov —

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were purged by their successor purgers. Besides, it is psychologically impossible for the man whose specialty is fear to become head of the State.

The purge of Beria does not mark the first time that an apparently all-powerful communist leader has been suddenly accused and liquidated as an enemy of the people. Yet our understanding of the purges remains as fragmentary today as it was in 1937, when the world at large first came face to face with the most widespread and venomous example of these operations.

How is it possible, sensible men ask, to run a country the size of the Soviet Union if every few years you chop off the heads of your most important administrators and advisors? Should we not expect the entire machinery of government to collapse as a result of this constant loss of experienced leaders? And what is the spark which sets off these purges: political differences or merely personal power struggles? Are they a *cause* or a *result* of policy changes in the USSR? And finally, will these policy changes be reflected primarily in foreign or in domestic affairs?

IN A totalitarian system, major policy changes can only be effected by silencing those whose task it had been to carry out a now-reject-

ed course. There is no parliament; there are no free elections; there is no official opposition. Purges are thus the only way you can explain to the people why a policy, advertised as correct and infallible yesterday, is today considered treasonable. By pretending that the top men responsible for the old policies were plotting against their country, you "explain" policy blunders of the past. And, in a totalitarian regime, the only way of really silencing these scapegoats is to chop off their heads.

As far as the general public is concerned, it first learned about purges — or "cleansings" in the literal translation of the word *Chistka* — in 1937, although they have existed in the Soviet Union ever since 1918, when the first members of the Bolshevik party were publicly tried for opposing Lenin's policy of peace with the Kaiser's Germany. In 1937, however, the Bolsheviks presented the world with the incredible spectacle of public trials in which not only top ranking communists, but the very architects of the Soviet state, were accused of espionage, treason and military intrigues.

At the time, many onlookers found it difficult to believe that the confessions, recited so eloquently and with such minute detail, were complete fabrications. Doubt lingered in many minds. Perhaps these men did have dealings with

the German and Japanese generals; perhaps they did plot to overthrow Stalin. If so, then Stalin was justified — from his viewpoint — in arresting and silencing them.

YEARS PASSED, and the trials were forgotten. Interest was not revived until 1948, when word of a new post-war purge — first of intellectuals and then of political figures — first reached the West. With the death of Stalin, the terror was intensified. "Who's next?" has become the favorite guessing game of our Soviet experts as they try to keep track of the latest switches in policy.

Purges are an integral part of the Bolshevik concept of planning. There are long-range blueprints — both in foreign and domestic policy; and there are short-range and middle-range plans to fit specific situations. These short-range detours often seem to veer in directions quite opposite to the final goal. Yet, when the particular situation that produced such deviations has been dealt with or has disappeared, the Soviet Union always swings right back to the original road. Lenin himself made this quite clear when he said: "Tactics can alter many times . . . Whenever circumstances demand, the communist party should replace old slogans, methods of fighting and organization with new ones."

Soviet history is full of such policy zig-zags. From 1939 to 1941 the war against Hitler was "an imperialist war" which must be opposed by all "freedom-loving people." On June 22, 1941, when Hitler's armies invaded Russia, it suddenly became a war of liberation. In 1943 the Comintern (Communist International) was dissolved to assure the Western Allies that Stalin's Russia had no intentions of communizing the world. In 1947, when the emergency had passed, it was revived, though under a new name, the Cominform (Communist Information Bureau).

GOING BACK even further, to the very beginnings of the Soviet state, there was the year 1921 when Lenin suddenly made an about-face in policy and introduced the NEP, or New Economic Policy, which encouraged foreign investment, private enterprise and individual peasant holdings. In 1929, when the Bolsheviks were sufficiently entrenched in power, they reversed themselves again — with a vengeance. They forced collectivization on the peasantry, taking an officially admitted toll of some five million lives.

Malenkov's policy today is emulating Lenin's about-face, and for the same reason: discontent at home and uprisings among the satellite peoples. But you can ex-

pect him to turn back to basic communist policy when he feels secure once more in the Kremlin.

From the very beginning, the Bolsheviks have applied terror against their opponents — irrespective of the degree of opposition. They had to, for theirs was a small minority determined to force its will on the majority of the people. Terror has been applied as an expedient and effective way of “convincing” opponents — the only way of permanently silencing them.

There is, in Bolshevik thinking, no question of morals involved. “You cannot make revolutions without executions,” said Lenin in 1917. And when the non-Bolshevik People’s Commissar of Justice in the first and only Soviet coalition government angrily exclaimed that what Lenin wanted was not a “Commissariat of Justice but a commissariat of social extermination,” Lenin said: “That’s exactly what it should be.”

It is the constant threat of mass terror that keeps the population and the bureaucracy in line. There are no signs that an underground opposition movement has yet been able to evolve. Men and women keep on working, purges or no purges, partly because their senses have been numbed by the terror and partly because every human being wants to stay alive.

Terror, then, and dictatorial rule are part of the Bolshevik system

of government; but they fail to explain the purges within the Bolshevik party itself. These purges periodically remove from responsible positions formerly trusted members of the party and “executioners” of Politbureau policy. Why? Were these men really traitors to the cause? Or did they plot against the Kremlin in the interests of their personal power?

It is my belief that both questions can, on the whole, be answered in the negative. Differences of opinion undoubtedly exist within the top echelons of the party, and there are undoubtedly ambitious men ready to use violence to satisfy their lust for power. But the almost regular recurrence of the purges, and their mass character, make this an unlikely answer.

CONSIDER, for instance, the 1937 purges. The public trials of top communists made dramatic copy for the newspapers of the world. And while our press was publicizing events in Moscow, the purge raced across all of Russia with the fury of a prairie fire. And that fire hardly made the newspapers at all. Yet there was not a single Soviet Republic; not a single city or village; not a single factory or institution; in fact, hardly a family in all of Russia that was not affected by the purge. Hundreds of thousands were sent into Siberian labor camps where the industrial proj-

ects of the second Five-Year Plan needed masses of cheap human labor. Were all these men and women from all over the country traitors or active contenders for power in the Kremlin?

I don't think so. Neither do I believe that the purges in themselves cause policy changes. On the contrary. The decision to change tactics comes first. The purges follow — to "explain" the change.

It is curious that changes in foreign policy, however, have never resulted, or been accompanied by, purges, even though treason and espionage always figure in the accusations at the trials. As far as foreign policy is concerned, the Bolsheviks are quite content to make changes and remove an ambassador or foreign minister without purging him. In fact, it sometimes happens that a man is removed when the policy with which he has been associated is dropped, and recalled when it is reestablished.

This is what happened with Maxim Litvinoff, Soviet Minister of Foreign Affairs from 1934 to 1939. It was he who brought the USSR into the League of Nations in the fall of 1934. He urged disarmament, action against Mussolini in Ethiopia and Hitler in Spain, and he stood for collective security. In 1939, less than four months before the signing of the Stalin-Hitler Pact, Litvinoff was

removed from his post, but he was not purged. There were rumors that he was living under surveillance, but these were only rumors. In November 1941, five months after Hitler invaded Soviet Russia, Litvinoff was taken out of moth balls, as it were, and sent to Washington as Ambassador — again to pursue his specialty of reasonableness and friendship with the West. Immediately after the war, when Soviet policy changed to cold war, Litvinoff was removed; but, it is believed, he managed to die a natural death.

THE GREATEST purge waves of Soviet history, under Yagoda and Yezhov, had no effect on the course of Soviet foreign policy. Collective security was talked before the purges, during the purges and after the purges through July of 1939 — to the very eve of the Stalin-Hitler Pact.

Today, when world attention is focused on events in the Kremlin and the behavior of Stalin's successors, it would seem wise that the Soviet should avoid, or at least conceal, the need to purge a man of Beria's stature. Yet, past experience indicates clearly that the Bolsheviks are not interested in what the world thinks of them. They act as they think fit, and in the matter of purges it is internal policy, not foreign policy, that is the overriding factor.

Public purges in the Soviet Union are called for, I believe, when drastic policy changes are required at home. And of all domestic problems, the most likely to cause the greatest upheavals in the Kremlin, the most violent zig-zags in policy and hence the most astounding purges, is the peasant problem.

As far back as 1919, the peasants used to say: "Lenin can exterminate the peasants, but he can never conquer the peasantry." And they were right. Even to this day, after thirty-five years of forced collectivization, mass deportations and liquidations, it is still the peasantry that is Malenkov's biggest headache.

That is true not only of the Soviet Union herself, but also of the satellites. Workers rioted in Pilsen, Czechoslovakia, but it was the peasants who were granted the biggest concessions. The proletariat rose in Berlin and East Germany, but received only minor concessions, while the East German farmers benefited from a return of their farms, intact, even including livestock and tools; permission to trade freely and a slow-down in the collectivization drive. In Hungary, reports say, the communists were also compelled to try and "solve unrest at its source: on the farms and villages." And so on down the line.

When a totalitarian dictatorship sees itself forced to alter course —

if only temporarily — at a sensitive spot, it requires the most persuasive arguments with which to convince the population of its change of heart. When in 1934, after a gruesome period of forced collectivization, Stalin offered the people a new, democratic constitution (the Stalin Constitution) it was accompanied by bloody purges of those men who had publicly carried out the former, hated policy of the Kremlin regime.

Today, however, words no longer suffice; decrees will not be believed, and the demotion, or even removal, of minor officials will not explain the colossal failures of the regime. So the carrot Malenkov holds out is price reductions, lowering of work norms and raising of wages. And accompanying these concessions — just as in former days — are the purges.

I have not met a single Soviet citizen — from all walks of life and all parts of the country — who ever believed that the communist leaders Bukharin, Zinoviev, Rykov and all the others, had actually worked with Germany and Japan for the destruction of Russia. What the Russians did believe, and what they do believe now in the case of Beria, is that his removal indicates a change in Kremlin policy. "How have the mighty fallen . . ." they say, and are enticed once more to let patience and obedience rule their days. ■

From the Bookshelf

WE TOO CAN PROSPER, by
Graham Hutton, with the
collaboration of Geoffrey
Crowther. Distributed by
The Macmillan Company.
\$2.75.



A View of How We Work

In American techniques and attitudes British observers
see solutions to their own low-production problems

TO MOST Americans who regard Great Britain as our chief ally, it is discomfoting to hear that economic deterioration has reduced her to the status of a second-rate power. Therefore, we can hardly be less than very interested when we detect signs and sounds of renewed economic vigor in the United Kingdom. And it is particularly worth noting that Britain wants to raise herself with economic bootstraps much like the ones we use.

We Too Can Prosper, though addressed to British readers, gives us such news.

This new book blends the findings of sixty-one visiting Productivity Teams from Britain with the analyses of two British economists who know us well from years of living and working in the United States. For Americans it provides, firstly, an insight into which of our

methods and ideas are truly exportable; and secondly, a fresh view of "how we work" as seen by astute outsiders.

At the outset, principal author Graham Hutton reveals that, "Fifty years ago an American industrial worker turned out roughly the same amount in a day as his opposite number in Britain, Germany or France . . . Today, he turns out from two to five times as much."

Hutton, however, asserts "there is no particularly American secret about the high wages, high productivity and high standards of life in America." He ascribes these mainly to our having made the most of what was available to all highly industrialized nations.

American managers, he finds, breathe progress. They are for the most part competitive, yet cooperative; flexible and fast on their feet,

yet sold on systems. "They meet at conferences and other places to pool their experiences. So new developments and ideas quickly find their way around. And there is greater readiness . . . to change things . . . to switch men and duties . . ."

THE ROLES of pre-planning and selling, and the prevalence of co-operation among departments, impressed the Productivity Teams.

They saw the lay-out of sales and advertising campaigns corresponding to an army's order of battle, with "the most careful standard-costing of this and that detail . . . the closest consultation . . . from the supplies ('logistics') department to the foremen, and from the cost-accountants and controllers to the engineers."

American management puts heavy stress on measurement, and this, the author deduces, is "a necessary part of the progress-mentality; a part of the drive always to reduce costs and increase output and sales." The tremendous emphasis upon standard performances, standard costings, and standard budgets in American management seems to him perhaps its most striking single feature.

In the United States, says Hutton, the machines are treated inhumanly, and human beings humanely. When the groups of British executives and labor representatives toured American plants, they noted

not only the existence of machine power at every hand, but our readiness to run it around the clock.

The author also gives due credit to investment in new equipment. In Britain "there has been nothing like the proportionate American investment in both buildings and plant, the proportionate heavy concentration on equipment, and the proportionate concentration upon *manufacturing* industry."

For fifty years previous to World War II, he says, Britain should have been investing more of her capital at home in raising productivity, and casting less of it abroad.

Now, he says to his British countrymen, "If you want more capital equipment, to make human work lighter and more fruitful, you must save to make the new equipment (or buy it from abroad); and secondly, you must then train, reorganize and re-deploy human work so as to get the most out of the new equipment."

TAKING UP "human relations," Hutton sees more hostility and toughness in collective bargaining here.

But "as most of the Teams noted, American union leaders and their rank and file have no difficulty in seeing 'the business of America, which is Business,' from the management's standpoint. The reason is simple: the ground on which they stand is the same. They merely

stand on different sides of one and the same accepted industrial structure.

"The two sides of American industry first make the profits, then haggle about them."

Among incentives, Hutton notes first the encouragement and ease of promotion. He finds also that rewards for superior work are given more directly and quickly.

As expected, he observes we lack the stratified class-and-status system of Europe. But he goes beyond this to state that greater energy and initiative are directed toward the production and acquisition of more *material* marks of achievement, success or distinction.

Perhaps the most noticeable social difference, Hutton finds, is the extent to which American men are influenced by their women. He quotes one of the Team's reports: "In the competition for a higher standard, it is the American woman who is the pacemaker. In striving for higher wages, the American worker has unquestionably prepared himself unto the battle, and the trumpet, sounded by his wife, does not give an uncertain sound."

Whether the visitors want to encourage this sort of thing at home is not indicated.

IN EXPLAINING how Britain has come to lose ground, Hutton makes due allowance for the effects of two

world wars. And as evidences of a current vitality in Britain, he describes the products in which Britain continues to excel, as well as new inventions such as the jet engine and the gas-turbine auto.

Britain, he sums up, "need not fear for its brains or its ingenuity. It has only to fear for its power of application, its quality of work and organization, its methods, its administration, its teamwork. These are not the most difficult — these are the easiest — deficiencies to make good."

In just one respect *We Too Can Prosper* seems to fall short. Hutton allows for the tendency of Americans to do things *en masse*. He sees here "a powerful factor making for mass consumption to match mass production." It makes mass production "easier." But these comments overlook the organic nature of the process.

It has been only because of the parallel growth of the concepts of mass production, mass selling, mass buying and mass consumption, amid America's peculiarly fertile set of conditions, that the realization of America's productivity has been possible.

The now-conscious embrace of mass consumption as a concept, and its justification in terms of mass benefits, no doubt makes as valuable a lesson to be taken from America's economic experience as any of our techniques.—JM

ECONOMICS IN ACTION

rectly by buying up Government securities, will be in the first line of economic defense. Interest rates on FHA and GI loans will also be eased with less down-payments and longer maturities. Federal Agencies like the Small Business Administration and the Office of Defense Mobilization will extend easy loans to business, especially in areas of unemployment.

Tax trimming--particularly as a boost for construction by allowing businessmen faster tax-writes-offs on "depreciating" machinery and buildings. Revision of tax legislation in this direction has already begun.

Public Works Projects--the last line of defense, and not to be inaugurated on a large scale until less drastic measures have failed. The Interior Department is already busy at work on a number of small power projects and will have plenty of contracts to let should a recession strike.

Never before in our history has there been such elaborate anti-recession planning. Economists believe that such planning is the best way of forestalling a depression.

One of the hottest political issues this session will be trade versus aid with a lot of different interests competing for Congressional attention:

The Foreign Operations Administration is going out of business June 30, as a first move in a gradual withdrawal of foreign economic aid. While military assistance will be maintained, economic grants will be smaller and more specific, with Europe getting a much smaller share of the cake. Farm bloc Congressmen are unhappy over this since the FOA has

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disposed of more than \$130 million worth of farm surpluses by taking local currencies in exchange. With FOA out of the picture, getting rid of our surpluses will be more difficult.

With the end of direct dollar assistance in sight, trade will be the only way for our allies to pay for the goods they need from us. Many economists are worried over the recent 10% drop in our commercial exports which, they feel, can be traced to European unwillingness to spend a large part of their dollar reserves. With unsold inventories accumulating at home, we can ill-afford to lose our foreign markets. By cutting tariffs, we help our allies to obtain more dollars with which to buy our goods.

All these points will be considered in the majority report of the Randall Commission on Foreign Economic Policy which will probably recommend an extension of reciprocal trade agreements and a gradual reduction of tariffs.

The Department of Better Mousetraps: ice cream cones for pampered pets...TV magnetic tape recorders that reproduce both image and sound...frozen french toast...fruit spoons specially designed to prevent grapefruit from squirting in your face...an electrically heated lunch box...smother-proof blankets for babies...apple trees capable of yielding five varieties..."talking" fruit that warns prospective customers, "Don't pinch me"...and, finally, a mechanical monkey which, the advertisers claim, will teach your children orderly manners. Placed near a closet, the monkey scowls when clothes aren't on the clothes hook, smiles when they are.